

Copy Application

**Tennessee Orthopedic
Alliance**

CN1302-004

2013 FEB 15 PM 12 51

CERTIFICATE OF NEED APPLICATION

FOR

TENNESSEE ORTHOPEDIC ALLIANCE

Relocation of Two MRI Units

Davidson County, Tennessee

February 15, 2013

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

SECTION A:

APPLICANT PROFILE

1. **Name of Facility, Agency, or Institution**

Tennessee Orthopedic Alliance, P.A.

Name

3000 Charlotte Avenue (Proposed new location.)

Street or Route

Nashville

City

TN

State

Davidson

County

37210

Zip Code

2. **Contact Person Available for Responses to Questions**

Jerry W. Taylor

Name

Stites & Harbison, PLLC

Company Name

401 Commerce Street, Suite 800

Street or Route

Attorney

Association with Owner

Attorney

Title

jerry.taylor@stites.com

Email address

Nashville

City

TN

State

37219

Zip Code

615-782-2228

Phone Number

615-742-0302

Fax Number

3. **Owner of the Facility, Agency or Institution**

Tennessee Orthopedic Alliance, P.A.

Name

301 21st Avenue, South (Current location)

Street or Route

Nashville

City

TN

State

615-329-6600

Phone Number

Davidson

County

37210

Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

X

E. Corporation (Not-for-Profit)

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

D. Option to Lease X

B. Option to Purchase

E. Other (Specify) _____

C. Lease of _____ Years

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of an Option to Lease is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify) _____

I. Nursing Home

B. Ambulatory Surgical
Treatment Center (ASTC),
Multi-Specialty

J. Outpatient Diagnostic Center

K. Recuperation Center

C. ASTC, Single Specialty

L. Rehabilitation Facility

D. Home Health Agency

M. Residential Hospice

E. Hospice

N. Non-Residential Methadone
Facility

F. Mental Health Hospital

O. Birthing Center

G. Mental Health Residential
Treatment Facility

P. Other Outpatient Facility
(Specify) _____

H. Mental Retardation
Institutional Habilitation
Facility (ICF/MR)

Q. Other (Specify) Physician
Practice (Orthopedics) X

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|-----------------------------------|-------|------------------------------------|---|
| A. New Institution | _____ | G. Change in Bed Complement | |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by | |
| C. Modification/Existing Facility | _____ | underlining the appropriate | |
| D. Initiation of Health Care | | response: Increase, Decrease, | |
| Service as defined in TCA § | | Designation, Distribution, | |
| 68-11-1607(4) | | Conversion, Relocation] | |
| (Specify) _____ | _____ | H. Change of Location (of MRI) | X |
| E. Discontinuance of OB Services | _____ | I. Other (Specify) _____ | |
| F. Acquisition of Equipment | _____ | _____ | |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9.

Bed Complement Data N/A*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds</u> <u>Licensed</u> *CON	<u>Staffed</u> <u>Beds</u>	<u>Beds</u> <u>Proposed</u>	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
A. Medical	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____

10. **Medicare Provider Number:** 3372041
Certification Type: Physician Group

11. **Medicaid Provider Number:** 3372041
Certification Type: Physician Group

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

N/A. TOA participates in both Medicare and TennCare.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

UnitedHealthcare Community Plan

AmeriGroup

TennCare Select

Will this project involve the treatment of TennCare participants?

Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

TOA is contracted and in network with UnitedHealthcare Community Plan.

TOA's contract with AmeriGroup expired on February 12, 2013 after the parties were unable to reach mutually agreeable terms on a renewal.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

N/A.

Following the expiration of the contract with AmeriGroup, the parties agreed that TOA will continue to treat current patients who are enrollees of that plan for 90 days, during which time TOA will be paid on an out-of-network basis.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Project Description

TOA will be relocating its main Nashville office at 301 21st Avenue North to leased space in a building to be constructed by an unrelated third party on Charlotte Pike. The distance between the two sites is approximately one mile, and both are within Metropolitan Nashville and Davidson County. As part of the relocation, TOA proposes to move its two 1.0 Tesla, full body MRIs. TOA also has a third, extremity-only MRI at its current location. This unit will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application. This proposal does not involve the initiation of any new service, the acquisition of major medical equipment, or any inpatient beds.

Services & Equipment

No new services or equipment are involved in this proposal. TOA provides MRI imaging services at its Nashville and Clarksville offices. The MRI service is limited to the patients of TOA, and is not an outpatient diagnostic clinic. TOA has two full body 1.0 Tesla MRI units and one 1.0 Tesla extremities-only MRI unit. TOA proposes to move its two 1.0 Tesla, full body MRIs to the new office location. The extremities-only MRI will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application.

Ownership Structure

TOA is owned by Tennessee Orthopedic Alliance, P.A. There are 44 physician shareholders and an additional 5 non-shareholder physicians employed by the professional corporation.

Service Area

For purposes of this application, the proper service area is Davidson County, where the two subject MRIs are now located, and where they will continue to be located.

Need

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area. The primary reasons TOA is moving to the new space are the need for more room, and the desire for a more up to date building with a more efficient lay-out and design. The MRI units are well utilized and the MRI service is an important patient care service provided by TOA physicians for its patients.

Existing Resources

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area.

For informational purposes it should be noted the MRI units operational in Davidson County are well utilized. According to HSDA data, the average utilization per MRI unit (all reporting providers) in Davidson County for the past three reporting years has exceeded the utilization threshold in the Guidelines of 2,200 scans per unit.

Project Cost & Funding

The total estimated project cost is \$2,412,704.00, exclusive of the filing fee. Most of this is the deemed cost of the lease for the MRI space which is \$1,802,757.00.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

The costs of the project will be funding through a combination of cash reserves, operating revenues and, if necessary, an existing commercial line of credit.

Financial Feasibility

The MRI service at TOA is well established and produces a positive cash flow and net operating income as reflected in the Historical Data Chart. It will continue to be financially feasible following the relocation as reflected in the Projected Data Chart.

Staffing

The MRI service at TOA utilizes 5 FTE MRI technologists. This is not expected to change as result of the relocation.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of

major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

N/A. TOA will be relocating its main Nashville office at 301 21st Avenue North to leased space in a building to be constructed by an unrelated third party on Charlotte Pike. The distance between the two sites is approximately one mile, and both are within Metropolitan Nashville and Davison County. As part of the relocation, TOA proposes to move its two 1.0 Tesla, full body MRIs. TOA also has a third, extremity-only MRI at its current location. This unit will be relocated to TOA's Murfreesboro office. TOA already provides MRI services at its Murfreesboro location, and could add an additional unit at that location so long as the equipment cost is below \$2 million. Since the value of the extremity-only MRI is far below the \$2 million threshold, the relocation of this unit is not a CON-covered activity. For that reason, the relocation of that extremity-only unit is not further discussed in this application.

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00. The cost of the build out including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance of 65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A,5 of the Project Cost Chart.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

N/A.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

N/A. No new services are being initiated.

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

D. Describe the need to change location or replace an existing facility.

N/A. TOA is a private physician practice and is not a health care facility. The primary reasons TOA is moving to the new space are the need for more room, and the desire for a more up to date building with a more efficient lay-out and design.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

N/A.

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost ;(As defined by Agency Rule).
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.

- b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

- 1. Size of site (*in acres*);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A plot plan is attached as Attachment B, III, (A).

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The new location is just off Charlotte Pike, a major thoroughfare in West Nashville which is on the Metropolitan Transit Authority bus route.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV.

V. For a Home Health Agency or Hospice, identify:

N/A.

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2” x 11” white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

I. NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

There are no Guidelines applicable to the relocation of major medical equipment.

Five Principles for Achieving Better Health from the Tennessee State Health Plan:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

TOA will continue to provide the highest quality of medical care to its patients following the relocation. The new location will provide for a more efficient and patient friendly environment.

2. Access to Care

Every citizen should have reasonable access to health care.

TOA participates in the Medicare and TennCare, as well as many major commercial insurance plans, thus affording access to care for its patients.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

The relocation to new office space will provide for a more efficient operation. The relocation of the MRIs and the continuance of the MRI service for the benefit of TOA's patient will allow it to continue to participate in a competitive market place.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

TOA provides the highest level of quality care. The MRI service at TOA is accredited by the American College of Radiology.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

This proposal will not require additional staffing for the MRI service.

[End of Responses to Five Principals for Achieving Better Health]

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

N/A.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

The relocation of the MRIs is an integral part of TOA's relocation to new office space. Beyond that, TOA currently has no long-range development plans which would require CON review.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"

For purposes of this application, the proper service area is Davidson County, where the two subject MRIs are located and will continue to be located if the application is approved.

A map of the service area is attached as Attachment C, I, Need, 3.

4. A. Describe the demographics of the population to be served by this proposal.

	<u>Davidson County</u>	<u>State of TN Total</u>
Total Population-Current Year-2013	605,923	6,414,297
Total Population-Projected Year-2015	614,222	6,530,459
Total Population-% change	2%	2%
Age 65 and over Population-2013	72,486	904,587
Age 65 and over Population-2015	76,318	960,158
Age 65 and over Population-% change	6%	7%
Age 65 and over Population as % of Total Population	12%	15%
Median Household Income-2010	\$43,825	\$41,461
TennCare Enrollees	121,002	1,213,475
TennCare Enrollees as % of Total	20%	19%
Persons Below Poverty Level	121,185	1,141,745
Persons Below Poverty Level as % of Total	20%	18%

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The applicant is not aware of any special needs of the service area population relevant to this proposed change of location of existing MRI units. TOA will continue to participate in Medicare and TennCare and with most major health insurance plans, so the services will continue to be accessible to most payor group enrollees. The new office location is off Charlotte Avenue, a major east-west traffic thoroughfare. The new space will incorporate a more efficient lay out to improve patient convenience and patient flow.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

This project does not involve the initiation of any new service and does not increase the number or capacity of MRI units in the service area.

For informational purposes it should be noted the MRI units operational in Davidson County are well utilized. According to HSDA data, the average utilization per MRI unit (all reporting providers) in Davidson County for the past three reporting years was as follows:

<u>Year</u>	<u>Total No. Units</u>	<u>Total Scans</u>	<u>Avg. Scans per Unit</u>
2009:	49	118,807	2,425
2010:	49	126194	2,575
2011:	50	124815	2,496

As a point of reference the utilization threshold in the Guidelines is 2,200 scans per unit. A complete listing of the utilization data is attached as Attachment C, I, Need, 5.

6. **Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

<u>Historical Utilization</u>		<u>Projected Utilization</u>	
2010	7892	Year 1:	7230
2011	7181	Year 2:	7302
2012	7018		

The decrease in MRI volume at TOA from 2010 to 2011 is attributable to several factors. First, TOA opened its Clarksville MRI service around that time, and this caused a volume shift of some cases from the Nashville office to the Clarksville office. Also, two senior physicians retired from practice in 2012 and that volume was lost. A third contributing factor could be the general economic downturn experienced between 2010 and continuing to some extent through 2011.

However, TOA is confident MRI volumes will be increasing over the next several years (the first year of operating at the new site is 2015). TOA added two new physicians in 2012, and has just added a third new physician in 2013. Two more new physicians are also committed to join TOA in 2013. The general economic landscape is also showing slow but gradual improvement.

With these conditions in mind, TOA assumed a reasonable but conservative growth rate of 1% compounded annually each year for the next 4 years.

II. ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00. This amount is entered on Line B, 1 of the Project Cost Chart.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

A letter from a contractor and a letter from the MRI relocation company are attached as Attachment C, II, Economic Feasibility 1.

A completed Project Cost Chart is attached on the following page.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase: 2013 FEB 15 PM 12 52

1. Architectural and Engineering Fees (Included in T.I. allowance and reflected in total lease payments)	\$	
2. Legal, Administrative, Consultant Fees		\$20,000
3. Acquisition of Site		
4. Preparation of Site		
5. Construction Costs (Net of T.I. allowance)	\$	286,315.00
6. Contingency Fund	\$	28,632.00
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000.00)		
9. Other (Specify) Relocation of (2) MRI Units	\$	275,000.00
B. Acquisition by gift donation, or lease:		
1. Facility (Inclusive of building and land) (Total lease payments)	\$	1,802,756.68
2. Building Only		
3. Land Only		
4. Equipment (Specify)		
5. Other (Specify)		
C. Financing Costs and Fees:		
1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify)		
D. Estimated Project Cost (A+B+C)	\$	2,412,703.68
E. CON Filing Fee	\$	5,428.58
F. Total Estimated Project Cost (D & E)	\$	2,418,132.26
TOTAL		\$ 2,418,132.26

2. Identify the funding sources for this project.

a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**
- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☒ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other—Identify and document funding from all other sources.**

The costs of the project will be funding through a combination of cash reserves, operating revenues and, if necessary, an existing commercial line of credit. A letter from the CFO is attached as Attachment C, II, Economic Feasibility, 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The two MRIs being relocated will occupy approximately 4,565 useable square feet of space. As reflected in Attachment B, II, A the total amount of the lease payments over the initial term of the lease for the MRI space is \$1,802,757.00 This amount is entered on Line B, 1 of the Project Cost Chart.

The cost of the build out not including shielding for the MRI space is \$110.00 per square foot. TOA expects a Tenant Improvement allowance from the landlord of \$65.00 per square foot, so the net out of pocket capital cost to TOA for the build out is \$45 per square foot, or \$205,425. In addition, the cost of installation for the radio-frequency shielding is \$80,890. This results in a total estimated build out cost of \$286,315 for the MRI space. This amount is entered on Line A, 5 of the Project Cost Chart.

According to data supplied by the HSDA, the median cost of renovation for CON-approved hospital projects 2009-2011 was \$177.60 per square foot. There was

insufficient volume to allow calculate of such median cost for outpatient diagnostic centers.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

A Historical Data Chart and a Projected Data Chart are attached on the following pages.

HISTORICAL DATA CHART

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Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year:	Year:	Year:
	2010	2011	2012
A. Utilization/Occupancy Data	7892	7181	7018
B. Revenue from Services to Patients			
1. Inpatient Services			
2. Outpatient Services	\$12,172,139.03	\$11,649,392.00	\$11,450,877.53
3. Emergency Services			
4. Other Operating Revenue			
Specify: _____			
Gross Operating Revenue	\$12,172,139.03	\$11,649,392.00	\$11,450,877.53
C. Deductions from Operating Revenue			
1. Contract Deductions	\$7,390,778.14	\$7,157,587.16	\$7,482,815.93
2. Provision for Charity Care			
3. Provision for Bad Debt			
Total Deductions	\$7,390,778.14	\$7,157,587.16	\$7,482,815.93
NET OPERATING REVENUE	\$4,781,360.89	\$4,491,804.84	\$3,968,061.60
D. Operating Expenses			
1. Salaries and Wages	\$669,153.09	\$644,983.30	\$656,798.38
2. Physicians' Salaries and Wages			
3. Supplies	\$18,785.52	\$7,489.36	\$15,818.38
4. Taxes	\$1,337.12		
5. Depreciation			
6. Rent	\$53,640.46	\$52,703.63	\$58,146.50
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses	\$1,665,477.73	\$1,363,522.25	\$1,451,206.38
Specify: See Attached.			
Total Operating Expenses	\$2,408,393.92	\$2,068,698.54	\$2,181,969.64
E. Other Revenue (Expenses)--Net			
Specify: _____			
NET OPERATING INCOME (LOSS)	\$2,372,966.97	\$2,423,106.30	\$1,786,091.96
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
NET OPERATING INCOME (LOSS)	\$2,372,966.97	\$2,423,106.30	\$1,786,091.96
LESS CAPITAL EXPENDITURES	\$0.00	\$0.00	\$0.00
NOI LESS CAPITAL EXPENDITURES	\$2,372,966.97	\$2,423,106.30	\$1,786,091.96

	2010	2011	2012
Radiologist Fees	\$749,886.15	\$421,251.30	\$487,496.08
Repairs & Maintenance	\$231,279.75	\$235,375.74	\$260,969.53
Purchased Services	\$13,622.78	\$17,249.03	\$12,119.21
Allocated Costs	\$670,689.05	\$689,646.18	\$690,621.56
Total Other Expenses	\$1,665,477.73	\$1,363,522.25	\$1,451,206.38

PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

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	Year 1 (2015)	Year 2 (2016)
A. Utilization/Occupancy Data (Specify unit of measure).	7230	7302
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$ 11,557,984.72	\$ 11,673,084.98
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify)	\$	\$
Gross Operating Revenue	\$ 11,557,984.72	\$ 11,673,084.98
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 7,552,807.37	\$ 7,628,022.05
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$	\$
Total Deductions	\$ 7,552,807.37	\$ 7,628,022.05
NET OPERATING REVENUE	\$ 4,005,177.35	\$ 4,045,062.93
D. Operating Expenses		
1. Salaries and Wages	\$ 669,934.35	\$ 683,333.04
2. Physicians' Salaries and Wages		
3. Supplies	\$ 16,292.93	\$ 16,618.79
4. Taxes		
5. Depreciation		
6. Rent	\$96,605.29	\$ 168,117.81
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 1,470,961.13	\$ 1,500,380.35
Specify: Attached		
Total Operating Expenses	\$ 2,253,793.70	\$ 2,368,449.99
E. Other Revenue (Expenses)--Net		
Specify:		
NET OPERATING INCOME (LOSS)	\$ 1,751,383.65	\$ 1,676,612.95
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ 1,751,383.65	\$ 1,676,612.95
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ 1,751,383.65	\$ 1,676,612.95

	Year 1	Year 2
Radiologist Fees	\$498,732.00	\$508,706.64
Repairs & Maintenance	\$268,798.62	\$274,174.59
Purchased Services	\$12,482.79	\$12,732.45
Allocated Costs	\$690,809.72	\$704,625.91
Total Other Expense	\$1,470,823.13	\$1,500,239.59

- 5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Year 1 (From Projected Data Chart)

Average Gross Charge:	\$1,598.61
Average Deduction:	\$1,044.65
Average Net Charge:	\$553.97

- 6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

Please see attachment C, II, Economic Feasibility, 6. TOA is not projecting any changes to current charges at this time.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

TOA Projected <u>2015</u> Average Gross Charge:	\$1,598.61
Elite Sports & Medicine <u>2011</u> Average Gross Charge:	\$1,248.95
Nashville Bone & Joint <u>2011</u> Average Gross Charge	\$1,501.48

Source: HSDA MRI Utilization Data.

- 7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

The utilization rates reflected in the Projected Data Chart result in a positive cash flow in Year 1.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

Financial viability is demonstrated in Year 1, as reflected on the Projected Data Chart.

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue**

anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

TOA participates in both Medicare and TennCare. TOA is contracted and in network with UnitedHealthcare Community Plan. TOA's contract with AmeriGroup expired on February 12, 2013 after the parties were unable to reach mutually agreeable terms on a renewal.

In 2012 TOA's TennCare payor mix was approximately 4.5% and its Medicare payor mix was approximately 21%. Projecting the same payor mixes for Year 1 of the project, the revenues from the two programs would be:

Medicare:	21% of Gross Charges	\$2,427,177
	21% of Net Revenues	\$841,087
TennCare	4.5% of Gross Charges	\$520,109
	4.5% of Net Charges	\$180,233

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Copies of the financial statements are attached as Attachment C, II, Economic Feasibility, 10.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

No less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal were identified. TOA's lease is coming to its expiration. TOA needs larger, more up to date and efficient office space. The MRI service is an important component of health care services for TOA's patients. The lease terms are commercially reasonable. The location is convenient and accessible.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing**

arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

There is no new construction by TOA involved in this project. Modernization of the existing space or sharing arrangements are not practical or desirable.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

RadSource/Imaging Specialists: MRI Interpretation Studies

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

The relocation of these MRI units should have no impact on the health care industry as a whole. It will have a positive effect on TOA patients because they will have access to MRI services in an improved environment. No additional MRI units are coming into the market as a result of the relocation so this will not cause duplication of services.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

A staffing chart for patient care positions is attached as Attachment C, III, Orderly Development, 3.

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

This project will not result in any change in the staffing for the MRI service.

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include,**

without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

TOA is committed to continued compliance with all applicable regulations and professional standards. The TOA MRI service is accredited by the American College of Radiology

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

While TOA physicians work with residents, interns, nursing students and student trainers etc. there are no formal programs. TOA also works with local high schools to let their students shadow the physicians, therapists and technologists to aid in choosing their career paths.

- 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

N/A. TOA is a private physician practice and is not a licensed health care institution. TOA will continue to comply with applicable Medicare certification requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

Licensure: N/A.

Accreditation: American College of Radiology.

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

N/A. TOA is a private physician practice and is not a licensed health care institution. The TOA MRI service is accredited by the American College of Radiology. A copy of the ACR Accreditation certificate for each of the two relevant MRI units is attached as Attachment C, III, Orderly Development, 7.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

N/A.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the**

applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved TOA will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The Notice of Intent was published in The Tennessean, a newspaper of general circulation in Davidson County on February 10, 2013. A copy of the Publisher's Affidavit is attached following this page. The original will be submitted when received.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached on the following page.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

0101627255

Affidavit of Publications

2013 FEB 15 PM 12 52

Newspaper: THE TENNESSEAN

TEAR SHEET
ATTACHED

State Of Tennessee

Account Number: 540273

Advertiser: TENNESSEE ORTHOPEDIC ALLIANCE,

RE: NOI CERTIFICATE OF NEED

Holly Perry Sales Assistant for the

above mentioned newspaper, hereby certify that the attached
advertisement appeared in said newspaper on the following dates:

2/10/2013

Holly Perry

2013

Subscribed and sworn to me this 11 day of February,

Se Oa Bales

NOTARY PUBLIC



PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
May, 2013. (Below calculated from June, 2013). 2013 FEB 15 PM 12:52

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>PHASE</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>N/A</u>	<u>March, 2013</u>
2. Construction documents approved by the Tennessee Department of Health	<u>N/A</u>	<u>N/A</u>
3. Construction contract signed	<u>60</u>	<u>July, 2013</u>
4. Building permit secured	<u>N/A</u>	<u>N/A</u>
5. Site preparation completed	<u>N/A</u>	<u>N/A</u>
6. Building construction commenced	<u>N/A</u>	<u>N/A</u>
7. Construction 40% complete	<u>N/A</u>	<u>N/A</u>
8. Construction 80% complete	<u>N/A</u>	<u>N/A</u>
9. Construction 100% complete (approved for occupancy	<u>N/A</u>	<u>N/A</u>
10. *Issuance of license	<u>N/A</u>	<u>N/A</u>
11. *Initiation of service	<u>540</u>	<u>December, 2014</u>
12. Final Architectural Certification of Payment	<u>N/A</u>	<u>N/A</u>
13. Final Project Report Form (HF0055)	<u>600</u>	<u>February, 2015</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

INDEX OF ATTACHMENTS

Organizational Documentation	<u>Attachment A, 4</u>
Option to Lease	<u>Attachment A, 6</u>
Lease Payment Schedule	<u>Attachment B, II, A</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
Map of the Service Area	<u>Attachment C, I, Need, 3</u>
Utilization Data	<u>Attachment C, I, Need, 5</u>
Letters from Contractor and MRI Relocation Vendor	<u>Attachment C, II, Economic Feasibility 1</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Charge Schedule	<u>Attachment C, II, Economic Feasibility, 6</u>
Financial Statements	<u>Attachment C, II, Economic Feasibility, 10</u>
Staffing Chart	<u>Attachment C, III, Orderly Development, 3</u>
ACR Accreditation Certificate	<u>Attachment C, III, Orderly Development, 7</u>



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

STITES & HARBISON, PLLC
401 COMMERCE STREET
SUITE 800
NASHVILLE, TN 37219

Request Type: Certified Copies
Request #: 89442

Issuance Date: 02/12/2013
Copies Requested: 1

Document Receipt

Receipt #: 910914 Filing Fee: \$20.00
Payment-Check/MO - STITES & HARBISON, PLLC, NASHVILLE, TN \$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **TENNESSEE ORTHOPAEDIC ALLIANCE, P.A.**, Control # 58754 was formed or qualified to do business in the State of Tennessee on 02/01/1972. TENNESSEE ORTHOPAEDIC ALLIANCE, P.A. has a home jurisdiction of TENNESSEE and is currently in an Active status.


Tre Hargett
Secretary of State

Processed By: Nichole Hambrick

The attached document(s) was/were filed in this office on the date(s) indicated below:

<u>Reference #</u>	<u>Date Filed</u>	<u>Filing Description</u>
BC04P5665	02/01/1972	Initial Filing
060 00965	02/16/1979	Registered Agent Change (by Entity)
607 03213	04/25/1986	Registered Agent Change (by Agent)
670 01824	02/24/1987	Administrative Amendment
1620-1645	01/31/1990	Articles of Amendment
2133-0820	04/02/1991	Articles of Amendment
2843-2428	05/05/1994	Merger - Survivor
3092-2401	12/29/1995	Merger - Survivor
3217-1190	09/24/1996	Articles of Amendment
3247-0335	11/27/1996	Merger - Survivor
3346-1169	06/02/1997	Assumed Name
3346-1170	06/02/1997	Assumed Name
3346-1171	06/02/1997	Assumed Name
3346-1172	06/02/1997	Assumed Name

CHARTER OF
NASHVILLE ORTHOPAEDIC ASSOCIATES, P. A.

The undersigned natural person having capacity to contract and acting as the incorporator of a Tennessee Professional Corporation organized under the Tennessee Professional Corporation Act, adopts the following charter for such corporation:

ARTICLE ONE: The name of the corporation is Nashville Orthopaedic Associates, P. A.

ARTICLE TWO: Term of Existence. This Corporation is to commence business operations on February 1, 1972, and will exist perpetually unless dissolved in the manner prescribed by law.

ARTICLE THREE: The address of the principal office of the Corporation is:

Nashville Orthopaedic Associates, P. A.
1919 Hayes Street
Nashville, Tennessee, 37203, in the county

of Davidson.

ARTICLE FOUR: The Professional Corporation is for profit, and is formed to practice the profession of medicine, as set forth in Article Five.

ARTICLE FIVE: The Professional Corporation elects to be governed by the provisions of the Tennessee Professional Corporation Act. The general nature of the business to be transacted by this Professional Corporation is:

The practice of medicine by a graduate physician or physicians licensed to practice in the State of Tennessee, the furnishing of related clinical services and the lease and purchase of such real and personal property as is necessary for the rendering of its practice.

The contract of debts, borrow money, issue and sell or pledge bonds, notes or other evidences of indebtedness and to execute such mortgages, transfers of corporate property or other instruments to secure the payment of Corporation indebtedness as required.

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The investment of funds in real estate, mortgages, stocks and bonds, or any other type of investments, but only if such investments further the principal business of the Corporation.

To purchase by the Corporation, the assets of, merger or consolidation with any other professional corporation engaged in the same character of business.

The redemption, purchase, retention, sale or transfer of its capital stock.

The creation of employee benefit plans and trusts incidental thereto.

ARTICLE SIX: The maximum number of shares which the Corporation shall have the authority to issue is One Thousand (1,000) shares with no par value.

ARTICLE SEVEN: The Professional Corporation will not commence business until consideration of at least One Thousand (\$1,000.00) Dollars has been received for the issuance of shares.

ARTICLE EIGHT: The Professional Corporation shall be governed by a Board of Directors, the number of which is to be fixed in the By-Laws adopted for the Professional Corporation. If the By-Laws allow the Board to change the number of Directors, it shall be done by a majority vote by such Board. However, no decrease in the number of Directors shall shorten the term of any incumbent Director. The sole member or a majority of the members of the Board shall be licensed to practice medicine in the State of Tennessee. However, if the Board includes persons not so licensed, the By-Laws must direct the Board to create a standing committee of licensed members and vest the responsibility for decisions relating wholly to professional considerations in such committee.

ARTICLE NINE: Ownership of capital shares. No shares of this Professional Corporation shall be issued to, held by or transferred to anyone other than an individual who is a graduate physician licensed to practice in the State of

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FEBRUARY 1, 1972

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Tennessee, and who, unless disabled, is actively engaged in such practice, and each certificate shall be appropriately endorsed disclosing this restriction.

ARTICLE TEN: Amendment. This Charter may be amended in the manner provided by Section 48-302 of the Tennessee General Corporation Act.

ARTICLE ELEVEN: By-Laws. The Board of Directors are hereby given the power to adopt the By-Laws necessary to conduct orderly and proper functions of the Professional Corporation as provided by law.

ARTICLE TWELVE: In the event a shareholder dies or retires, his shares in the Professional Corporation shall be either redeemed or cancelled by the Professional Corporation or transferred to a person or persons authorized to hold the shares within six (6) months after the date of death or retirement, and the shares held by a shareholder who becomes legally disqualified from practicing the profession for which the Professional Corporation is organized shall be so redeemed, cancelled or transferred within ninety (90) days after the disqualification becomes final. The Board of Directors are directed to adopt By-Laws providing the procedure for the redemption or transfer of such shares in the event a shareholder becomes disqualified, retires or dies.

I, the undersigned incorporator, apply to the State of Tennessee by virtue of the laws of such state for filing of the foregoing Charter, with the Secretary of State, this
1st day of February, 1972.


H. Stennis Little, Jr.

1972 FEB 1 PM 3 00

I, JOE C. CARR, Secretary of State, do certify that
this Charter, with certificate attached, the foregoing of which
is a true copy, was this day registered and certified to by me.

This the 1st day of February, 1972.

JOE C. CARR,
SECRETARY OF STATE

FEE: \$20.00

RECEIVED
STATE OF TENNESSEE

1994 MAY -5 AM 9:09

ARTICLES OF MERGER

RILEY DARNELL
SECRETARY OF STATE

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-21-105 of the Tennessee Business Corporation Act, as amended and consistent with the provisions of the Tennessee Professional Corporation Act, the undersigned corporation adopts the following articles of merger:

1. The name of the constituent corporations are (collectively "Constituent Corporations"):

- (a) William M. Gavigan, M.D., P.C.
- (b) Barrett F. Rosen, M.D., P.C.
- (c) John Bruno III, M.D., P.C.
- (d) Eugene M. Regen, Jr., M.D., P.C.
- (e) Daniel Swan Burrus, P.C.
- (f) Nashville Orthopaedic Associates, P.A.

All such Constituent Corporations are Tennessee professional corporations.

2. The surviving corporation shall be Nashville Orthopaedic Associates, P.A. which hereby changes its name to "Tennessee Orthopaedic Associates, P.A." in accordance with the amendment to the Charter set forth in the Plan of Merger, such change of name to take place on the Effective Date (defined below).

3. The attached Plan of Merger was duly adopted and approved by separate unanimous written consents of the directors and shareholders of each of the Constituent Corporations each dated May 5, 1994.

4. The merger is to be effective upon May 5, 1994 (the "Effective Date").

Dated: May 5, 1994.

NASHVILLE ORTHOPAEDIC ASSOCIATES, P.A.

By:

Title:


President

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RILEY BARNELL
SECRETARY OF STATE

PLAN OF MERGER OF

**EUGENE M. REGEN, JR., M.D., P.C.,
DANIEL SWAN BURRUS, P.C.,
WILLIAM M. GAVIGAN, M.D., P.C.,
BARRETT F. ROSEN, M.D., P.C.,
and
JOHN BRUNO III, M.D., P.C.**

WITH AND INTO

NASHVILLE ORTHOPAEDIC ASSOCIATES, P.A.

Pursuant to Section 48-21-101 of the Tennessee Business Corporation Act, as amended, and in accordance with the Tennessee Professional Corporation Act, this Plan of Merger ("Plan") is made and entered into by Eugene M. Regen, Jr., M.D., P.C., Daniel Swan Burrus, P.C., William M. Gavigan, M.D., P.C., Barrett F. Rosen, M.D., P.C., John Bruno III, M.D., P.C. and Nashville Orthopaedic Associates, P.A., a Tennessee corporation:

1. Constituent Corporations. The name of the constituent corporations are Eugene M. Regen, Jr., M.D., P.C., Daniel Swan Burrus, P.C., William M. Gavigan, M.D., P.C., Barrett F. Rosen, M.D., P.C., John Bruno III, M.D., P.C. (collectively "Acquired Corporations") and Nashville Orthopaedic Associates, P.A. ("NOA")

2. Surviving Corporation. NOA shall be the surviving corporation in the merger. Immediately upon the effectiveness of the merger, NOA shall change its name to "Tennessee Orthopaedic Associates, P.A." ("Surviving Corporation") in accordance with an amendment to its charter set forth in paragraph 9 herein. The Surviving Corporation shall continue to be a professional corporation operating under and governed by the laws of the State of Tennessee.

3. Terms and Conditions. The consummation and implementation of this Plan is conditioned upon its approval by the board of directors and shareholders of each of the Acquired Corporations and the Surviving Corporation. Upon the filing of the Articles of Merger ("Effective Date") the separate existence of the Acquired Corporations shall cease (except insofar as continued by statute), and they shall be merged with and into the Surviving Corporation. All the property, real, personal, tangible and intangible of each of the Acquired Corporations, and all debts due to any of them shall be transferred to and vested in NOA as the Surviving Corporation without further act or deed. The Surviving Corporation shall henceforth be responsible and liable for the liabilities and obligations of each of the Acquired Corporations, and any claim or judgment against any of the Acquired Corporations may be enforced against the Surviving Corporation.

4. Manner and Basis of Converting Shares. Each share of common stock of each Acquired Corporation ("Acquired Corporation's Common Stock") which is issued and outstanding on the Effective Date shall, by virtue of the merger and without any action on the

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part of the holder thereof, be converted into shares of common stock, without par value, of
1994 NOA as follows:

RILEY DARNELL
SECRETARY OF STATE

<u>Name of Acquired Corporation</u>	<u>Conversion Ratio (into Shares of NOA)</u>
Eugene M. Regen, Jr., M.D., P.C.	1 for 5
Daniel Swan Burrus, P.C.	1 for 1
John Bruno, III M.D., P.C.	1 for 1
William M. Gavigan, M.D., P.C.	1 for 1
Barrett F. Rosen, M.D., P.C.	1 for 10

Each share of common stock of NOA issued and outstanding on the Effective Date or held by NOA in its treasury ("Acquiring Corporation's Common Stock") shall continue to evidence ownership of the same number of shares of the common stock of NOA. As promptly as practicable after the Effective Date, each holder of an outstanding certificate or certificates theretofore representing shares of an Acquired Corporation's Common Stock shall surrender the same to the secretary of the Surviving Corporation ("Exchange Agent"), and shall receive in exchange a certificate or certificates representing the number of full shares of the Surviving Corporation's common stock into which the shares of the Acquired Corporation's Common Stock represented by the certificate or certificates so surrendered shall have been converted. Further, by virtue of the change of the name of NOA in conjunction with the merger, each holder of an outstanding certificate or certificates theretofore representing shares of the Acquiring Corporation's Common Stock shall surrender the same to the Exchange Agent and shall receive in exchange a certificate or certificates representing the number of full shares of the Surviving Corporation's common stock.

5. Charter and Bylaws. The charter of NOA shall be the charter of the Surviving Corporation from and after the Effective Date, subject to the right of the Surviving Corporation to amend its charter in accordance with its bylaws and the laws of the State of Tennessee. The bylaws of NOA shall be the bylaws of the Surviving Corporation from and after the Effective Date, subject to the right of the Surviving Corporation to amend its bylaws in accordance with the laws of the State of Tennessee and such bylaws.

6. Board of Directors and Officers. Immediately upon the effectiveness of the merger, the members of the present board of directors and the present officers of NOA shall continue to serve as directors and officers of the Surviving Corporation.

7. Effective Date. The merger shall become effective upon May __, 1994.

8. Tax Effect. This transaction is intended to qualify as a reorganization pursuant to Section 368(a)(1)(A) of the Internal Revenue Code of 1986 as revised.

9. Amendment to Charter. "ARTICLE ONE" of the Charter of the Surviving Corporation shall be amended in its entirety as follows:

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"ARTICLE ONE: The name of the corporation is
Tennessee Orthopaedic Associates, P.A."

RILEY DARNELL IN WITNESS WHEREOF, we have caused this Plan to be executed.
SECRETARY OF STATE

WILLIAM M. GAVIGAN, M.D., P.C.

By: William M. Gavigan M.D.
William M. Gavigan, M.D., President

BARRETT F. ROSEN, M.D., P.C.

By: Barrett F. Rosen
Barrett F. Rosen, M.D., President

JOHN BRUNO III, M.D., P.C.

By: John Bruno III
John Bruno III, M.D., President

EUGENE M. REGEN, JR., M.D., P.C.

By: Eugene M. Regen MD President
Eugene M. Regen, Jr., M.D., President

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RILEY DARNELL
SECRETARY OF STATE

DANIEL SWAN BURRUS, P.C.

By: 

Daniel S. Burrus, M.D., President

NASHVILLE ORTHOPAEDIC ASSOCIATES, P.A.

By: 

Dave A. Alexander, Jr., M.D., President

LEASE OPTION AGREEMENT

This LEASE OPTION AGREEMENT (the "Agreement") is made and entered into as of February 4, 2013 by and between Tennessee Orthopaedic Alliance, P.A., a Tennessee professional association ("TOA") and HCRI Tennessee Properties, Inc. ("HTP").

RECITALS

WHEREAS, HTP owns and/or intends to develop and construct medical office space in a project currently referenced as oneCITY VI (the "Building") to be located at 3000 Charlotte Avenue, Nashville, Tennessee, or on one of the contiguous land parcels owned by HTP as part of the same oneCITY development and;

WHEREAS TOA intends to file an Application for a Certificate of Need ("CON") with the Tennessee Health Services and Development Agency ("HSDA") permitting TOA to relocate certain of its physician office and ancillary services space, specifically including its MRI services (collectively, the "Business") to the Building; and

WHEREAS, in the event the CON is approved by the HSDA, HTP intends to lease approximately 55,000 rentable square feet (approximately 50,000 of which to constitute usable square feet) within the Building (the "Premises") to TOA for the operation of the Business in accordance with the terms of the Lease LOI (as herein defined).

AGREEMENT

NOW, THEREFORE, in consideration of the payment of good and valuable consideration by TOA to HTP, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. *Grant of option.* HTP irrevocably grants to TOA the exclusive option to lease from HTP the Premises in accordance with the terms hereof, subject to the mutually agreed upon and executed Lease (as herein defined), prior to the expiration of the Term (as herein defined).
2. *Term.* This option shall continue in effect until the earlier to occur of: a) June 30, 2013, or b) thirty (30) days following TOA's receipt of written notice from the HSDA concerning its ruling on TOA's CON application or, if applicable, the final appeal of such ruling (the "Option Closing Date") (the "Term"). This option shall automatically terminate, without notice to TOA, at 5 p.m. on the Option Closing Date, if prior thereto TOA shall not have exercised the within option. The exercise of this option must be by written notice sent to HTP in the manner prescribed by paragraph 8 below before its expiration or termination.
3. *Failure to exercise option.* TOA shall exercise the option unless CON approval is not granted. Only if CON approval is not granted, this agreement shall thereupon terminate and neither party shall have any further rights or obligations hereunder.
4. *Exercise of option.* If TOA's CON Application is approved, then this option is exercised automatically (in accordance with its terms), and HTP shall lease to TOA and TOA shall lease from HTP the Premises (i) for an initial term of ten (10) years and six (6) months, and (ii) at rent

rate of \$0.00 per actual rentable square foot for the first six months of the lease, \$24.98 per actual rentable square foot in the next 12 months of the lease, and at a rate determined based on a two percent (2%) annual increase for each twelve (12) month period thereafter and otherwise in accordance with the terms of the Lease LOI. The remaining terms of the Lease, including but not limited to terms regarding tenant improvement allowances, security deposits, permitted and exclusive use, signage, parking allotments, operating expense charges and other items, terms and conditions customarily contained in a triple net commercial lease of this type with all operating expenses paid by TOA on a proportionate basis, will be negotiated between the parties and set forth in a definitive lease agreement in accordance with the terms of the Lease LOI and to be mutually prepared and agreed upon by the parties (the "Lease").

5. *Brokerage.* The parties warrant and represent to each other that no broker is due any type of fee based on execution of this Agreement, and any such fees (if any) shall only be due upon execution of the Lease, which Lease shall set forth responsibility for payment of any such fees. Each party shall indemnify and hold the other party harmless against all liabilities and expenses (including, without limitation, reasonable attorneys' fees) arising from any claims for brokerage on this transaction based on execution of this Agreement. The warranties, representations and agreements contained in this paragraph shall survive any closing of the transaction contemplated by this Agreement.

6. *Cumulation of Remedies.* Except as expressly provided herein, the various rights, options, elections, powers, and remedies of the respective parties hereto contained in, granted, or reserved by this Agreement, are in addition to any others that said parties may be entitled to by law, shall be construed as cumulative, and no one of them is exclusive of any others, or of any right or priority allowed by law.

7. *Attorneys' Fees.* In the event that any action is brought by either party to enforce or interpret the terms of this Agreement, the prevailing party in such action shall be entitled to its costs and reasonable attorneys' fees incurred therein from the non-prevailing party, in addition to such other relief as the court may deem appropriate.

8. *Notices.* All notices or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been delivered to a party upon personal delivery to that party or: (i) one (1) business day following electronically confirmed delivery by electronic mail transmission to the email address supplied below (or as updated below) and a copy of such electronic mail transmission is sent via overnight delivery as set forth in (ii) below or via United States Postal Service as set forth in (iii) below; (ii) one (1) business day following deposit for overnight delivery with a bonded courier holding itself out to the public as providing such services, with charges prepaid; or (iii) three (3) business days following deposit with the United States Postal Service, postage prepaid, and in any case addressed to the party's address set forth below, or to any other address that the party provides by notice, in accordance with this paragraph, to the other party:

If to HTP:
Attention: Jeffrey H. Miller, Esq.
General Counsel
4500 Dorr Street
Toledo, Ohio 43615-4040

With a copy to:
Timothy L. Meyer, Esq.
Health Care REIT, Inc.
5106 Maryland Way
Brentwood, TN 37027
Email: tmeyer@hcreit.com

And:
Jack Gillespie, Esq.
Shumaker, Loop & Kendrick, LLP
Huntington Center
41 South High Street
Suite 2400
Columbus, Ohio 43215-6104
Email: jgillespie@slk-law.com

If to TOA:

Tennessee Orthopaedic Alliance, P.A.
608 Norris Avenue
Nashville, TN 37204
Attn: Executive Director
Email: wadeSL@toa.com

Each party may update its notice information above by written notice to the other party.

9. *Assignment.* TOA may not assign this Agreement nor any of the rights or obligations inuring to or imposed upon it herein, and any attempted or purported assignment shall be null and void and of no effect. HTP may assign its rights under this Agreement to any of its affiliates, subsidiaries or assigns so long as such entity has undertaken the project to develop and construct the Building.

10. *Binding on Successors and Assigns.* Notwithstanding anything to the contrary in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permissible assigns.

11. *No Third Party Rights.* Nothing in this Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

12. *Waiver.* Any waiver of any term or condition of this Agreement must be in writing and signed by the parties. No delay or failure by either party to exercise any right or remedy it may have under this Agreement shall operate as a continuing waiver of such right or remedy, or prejudice such party's right to insist upon full compliance by the other party with the terms of this Agreement.

13. *Headings.* The headings contained in this Agreement are for convenience of reference only and shall in no way be held or deemed to be a part of or affect the interpretation of this Agreement.

14. *Severability.* The provisions of this Agreement shall be deemed severable and if any portion shall be held invalid, illegal, or unenforceable for any reason, the remainder of this Agreement shall be effective and binding upon the parties.

15. *Entire Agreement.* Except for the terms contained in a letter of intent to be mutually agreed upon by TOA and HTP specifying the detailed terms of the Lease (the "Lease LOI"), this Agreement contains the sole and entire agreement between the parties regarding the subject matter hereof, and supersede any and all prior agreements between the parties. The parties acknowledge and agree that neither of them has made any representations with respect to the subject matter of this Agreement, or any representation inducing the execution and delivery hereof, except such representations as are specifically set forth and/or referenced herein, and each of the parties hereto acknowledges that it has relied on its own judgment in entering into the same.

16. *Amendments.* This Agreement may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by each of the parties.

17. *Governing Law.* The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

18. *Continuing Obligations.* Whether specifically identified or not, the obligations of the parties under this Agreement which by their nature or content would continue beyond the expiration or termination of this Agreement shall survive any expiration or termination of this Agreement.

19. *Authority to Execute.* Each party has been represented by counsel in the negotiation and execution of this Agreement. This Agreement was executed voluntarily without any duress or undue influence on the part of or on behalf of the parties hereto. The parties acknowledge they have read and understood this Agreement and its legal effect. Each party acknowledges it has had a reasonable opportunity to obtain independent legal counsel for advice and representation in connection with this Agreement. Each party further acknowledges that it is not relying on and it is not, for the purposes of the negotiation, execution and delivery of this Agreement, a client of the legal counsel employed by any other parties to this Agreement. Each of the undersigned represents and warrants that he/she has the authority to execute this Agreement on behalf of the respective party and that such action has been properly authorized.

20. *Confidentiality.* This Agreement is confidential and may only be disclosed to the parties hereto, government agencies (including but not limited to HSDA), and the parties' consultants, insurance carriers, accountants, and lawyers, or as agreed upon by the parties hereto in writing, or as required by law. Each party shall treat all nonpublic information obtained as part of this engagement as confidential and shall not, without written authorization from the other party, release or share such information with any third party, except as may be required by law. Each

party agrees that prior to reporting any actual or perceived violation of law to any governmental entity, even if required by law to do so, they will first discuss any potential legal or compliance matter with the other party and, unless otherwise required by law, provide the other party with an opportunity to investigate and appropriately report any compliance matter brought to its attention. This Agreement and the contents hereof shall not be made public, published in any documents or publications or recorded in the office of the Davidson County Register of Deeds or other public record without the prior written consent of TOA and HTP.

21. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.

22. *Time of essence.* Time is of the essence of this Agreement.

Signature Page Follows


In witness whereof the parties hereto have executed and delivered this Agreement the day and year first above written.

HCRI TENNESSEE PROPETIES, INC.:

By: Health Care REIT, Inc.,
its general partner

By: _____
Erin C. Ibele
Senior Vice President-Administration
and Corporate Secretary

TENNESSEE ORTHOPAEDIC ALLIANCE, P.A.:

By: 

Title: PRESIDENT

In witness whereof the parties hereto have executed and delivered this Agreement the day and year first above written.

HCRI TENNESSEE PROPETIES, INC.:

By: Health Care REIT, Inc.,
its general partner

By: Erin C. Ibele
Erin C. Ibele
Senior Vice President-Administration
and Corporate Secretary

TENNESSEE ORTHOPAEDIC ALLIANCE, P.A.:

By: _____

Title: _____



**MRI Projected Space Lease Payments
December 2014 - May 2025**

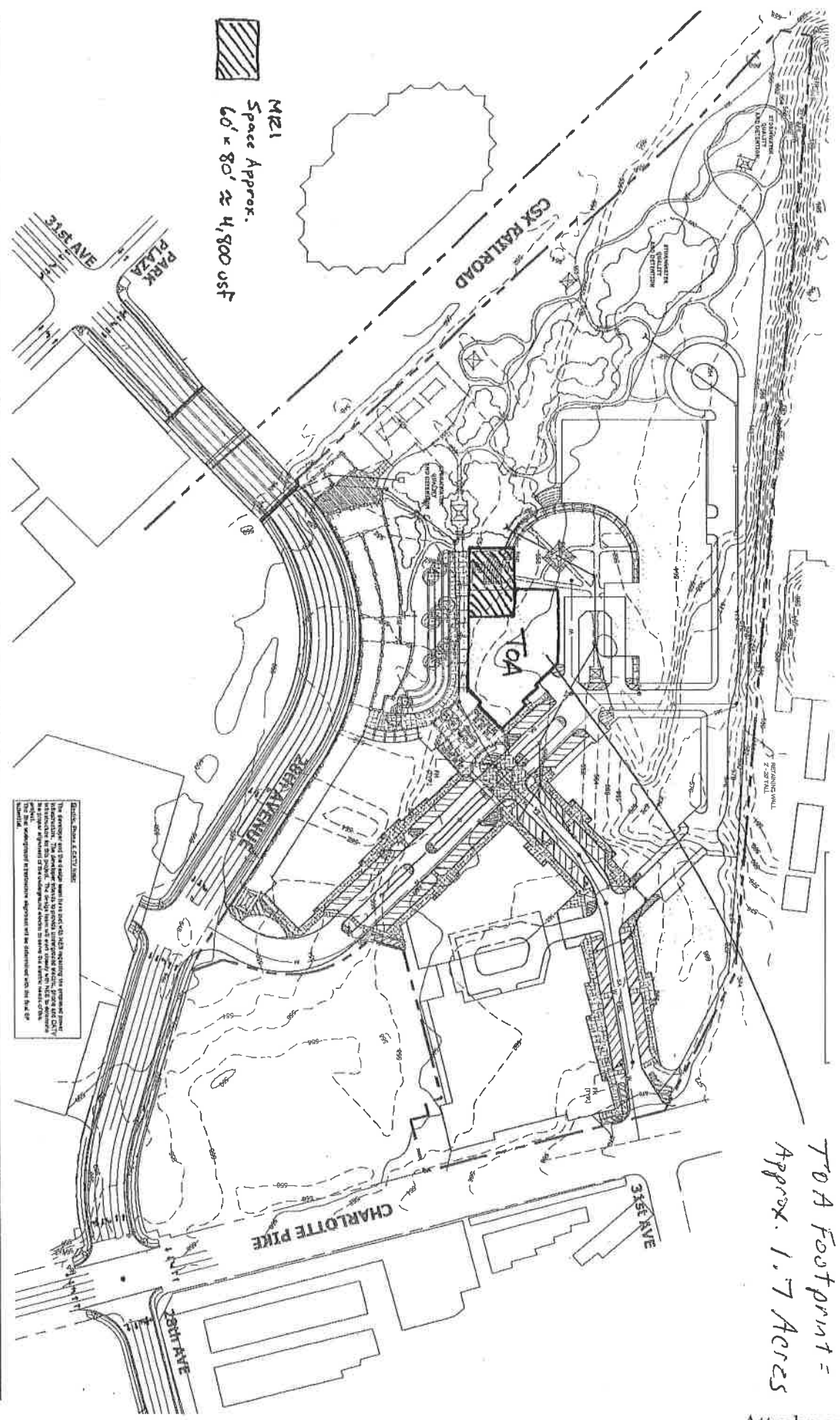
	<i>Lease/Sq.Ft.</i>	<i>CAM</i>	<i>Lease/Sq.Ft. (with CAM)</i>	<i>MRI Useable Sq. Ft.</i>	<i>MRI Rentable Sq. Ft.</i>	<i>Lease Payments</i>
Year 1 *	0	0	0	0	0	0
Year 2	\$ 24.98	\$ 8.00	\$ 32.98	4565	5021.5	\$ 96,605.29
Year 3	\$ 25.48	\$ 8.00	\$ 33.48	4565	5021.5	\$ 168,117.81
Year 4	\$ 25.99	\$ 8.00	\$ 33.99	4565	5021.5	\$ 170,676.73
Year 5	\$ 26.51	\$ 8.00	\$ 34.51	4565	5021.5	\$ 173,286.82
Year 6	\$ 27.04	\$ 8.00	\$ 35.04	4565	5021.5	\$ 175,949.12
Year 7	\$ 27.58	\$ 8.00	\$ 35.58	4565	5021.5	\$ 178,664.66
Year 8	\$ 28.13	\$ 8.00	\$ 36.13	4565	5021.5	\$ 181,434.51
Year 9	\$ 28.69	\$ 8.00	\$ 36.69	4565	5021.5	\$ 184,259.76
Year 10	\$ 29.27	\$ 8.00	\$ 37.27	4565	5021.5	\$ 187,141.52
Year 11	\$ 29.85	\$ 8.00	\$ 37.85	4565	5021.5	\$ 190,080.91
Year 12	\$ 30.45	\$ 8.00	\$ 38.45	4565	5021.5	\$ 96,539.54

Total Lease Payments (term of lease) \$ 1,802,756.68

* One Month

** First 6 Months rent free

T0A Footprint =
Approx. 1.7 Acres



M21
Space Approx.
60' x 80' ≈ 4,800 sqft

EXISTING, SHOWN AS LIGHT LINE
PROPOSED, SHOWN AS DARK LINE
The drawings and the data were prepared by the engineer for the purpose of providing information to the client. The engineer does not warrant the accuracy of the data or the results of the design. The client is responsible for the accuracy of the data and the results of the design. The engineer's responsibility is limited to the design of the infrastructure shown on the drawings.

CIVIL SITE
DESIGN GROUP, PLLC

ES&A

PROPOSED

GRADING, DRAINAGE AND INFRASTRUCTURE PLAN

ONECITY

Nashville, Tennessee

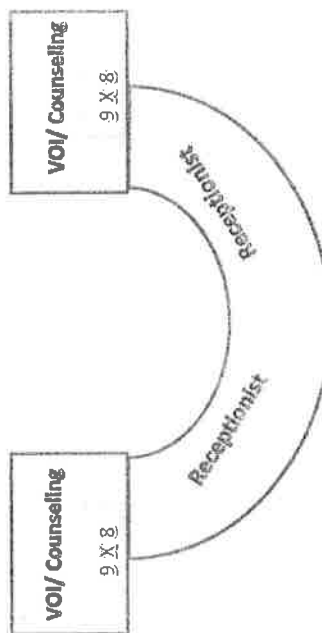
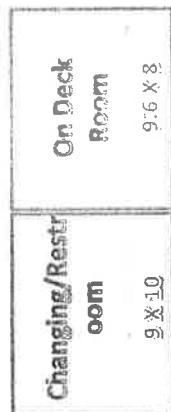
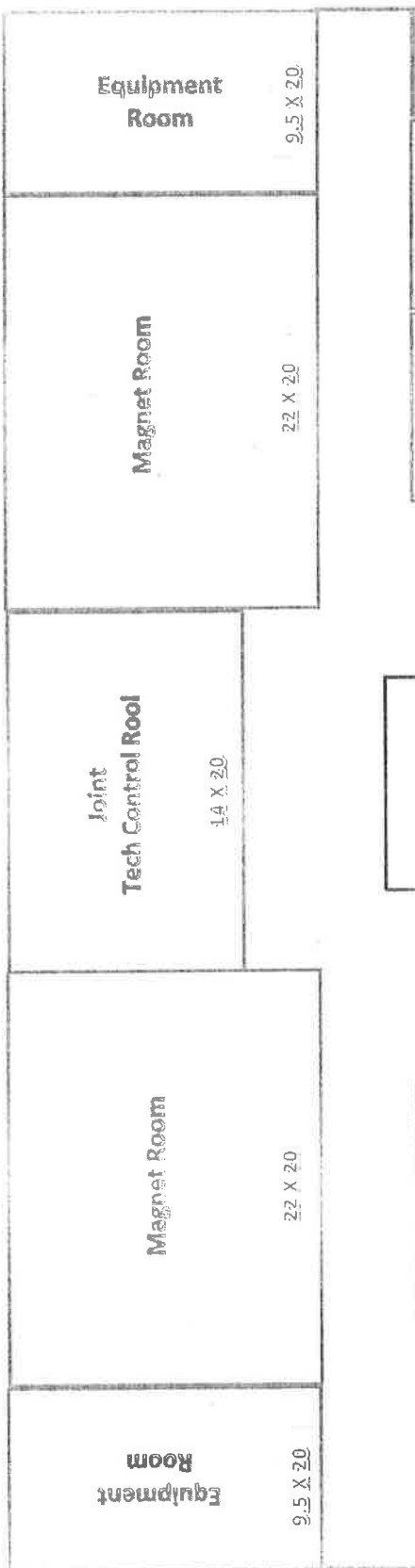
#2011SP-009-001



DATE: 11/11/11

83 Feet

55 Feet



TOA
TANDEM ORTHODONTIC ALLIANCE
MRI
4565 Sq. Ft.

FOR

A map of Kentucky counties. Davidson County is shaded with diagonal lines. The map shows the state's outline and internal county boundaries. The shaded county is located in the central-western part of the state, near the Tennessee border.

Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Charges
Davidson	HOSP	Baptist Hospital	2009	3	Fixed	0	7100	\$17,480,434.00
Davidson	HOSP	Baptist Hospital	2010	3	Fixed	0	6619	\$17,582,740.00
Davidson	HOSP	Baptist Hospital	2011	3	Fixed	0	5920	\$19,007,510.00
Davidson	ODC	Belle Meade Imaging	2009	1	Fixed	0	2352	\$3,463,445.00
Davidson	ODC	Belle Meade Imaging	2010	1	Fixed	0	2361	\$2,939,438.00
Davidson	ODC	Belle Meade Imaging	2011	1	Fixed	0	2511	\$3,488,214.00
Davidson	PO	Center for Inflammatory Disease	2009	1	Fixed	0	200	\$170,640.00
Davidson	PO	Center for Inflammatory Disease	2010	1	Fixed	0	154	\$121,660.00
Davidson	PO	Center for Inflammatory Disease	2011	1	Fixed	0	130	\$102,700.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2009	2	Fixed	0	4447	\$4,335,035.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2010	2	Fixed	0	4470	\$4,395,915.00
Davidson	PO	Elite Sports Medicine & Orthopaedic Center	2011	2	Fixed	0	4793	\$5,986,200.00
Davidson	PO	Heritage Medical Associates-Murphy Avenue	2011	1	Fixed (Shared)	0	639	\$493,414.00
Davidson	ODC	Hillsboro Imaging	2009	1	Fixed	0	4156	\$6,147,579.00
Davidson	ODC	Hillsboro Imaging	2010	1	Fixed	0	3738	\$5,459,449.00
Davidson	ODC	Hillsboro Imaging	2011	1	Fixed	0	2869	\$6,009,965.00
Davidson	ODC	Millennium MRI, LLC	2009	1	Fixed (Shared)	0	404	\$915,939.00
Davidson	ODC	Millennium MRI, LLC	2010	1	Fixed (Shared)	0	491	\$1,038,301.00
Davidson	ODC	Millennium MRI, LLC	2011	1	Fixed (Shared)	0	371	\$788,021.00
Davidson	PO	Nashville Bone and Joint	2009	1	Fixed (Shared)	0	979	\$1,468,714.00
Davidson	PO	Nashville Bone and Joint	2010	1	Fixed (Shared)	0	1053	\$1,592,775.00
Davidson	PO	Nashville Bone and Joint	2011	1	Fixed (Shared)	0	947	\$1,421,904.00
Davidson	HOSP	Nashville General Hospital	2009	1	Fixed	0	1393	\$3,127,879.00
Davidson	HOSP	Nashville General Hospital	2010	1	Fixed	0	1605	\$3,842,732.00
Davidson	HOSP	Nashville General Hospital	2011	1	Fixed	0	1842	\$4,794,109.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2009	1	Fixed	0	3917	\$2,404,078.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2010	1	Fixed	0	6438	\$7,250,793.00
Davidson	PO	Neurological Surgeons, PC Imaging Office	2011	1	Fixed	0	6052	\$6,808,500.00
Davidson	ODC	Next Generation Imaging, LLC	2009	1	Fixed (Shared)	0	630	\$1,371,218.00
Davidson	ODC	Next Generation Imaging, LLC	2010	1	Fixed (Shared)	0	603	\$1,374,195.00
Davidson	ODC	Next Generation Imaging, LLC	2011	1	Fixed (Shared)	0	740	\$1,553,034.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2009	1	Fixed	0	436	\$1,555,544.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2010	1	Fixed	0	508	\$1,531,920.00
Davidson	H-Imaging	One Hundred Oaks Breast Center	2011	1	Fixed	0	586	\$1,867,426.00
Davidson	ODC	One Hundred Oaks Imaging	2009	1	Fixed	0	1992	\$2,823,407.00

Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Charges
Davidson	ODC	One Hundred Oaks Imaging	2010	1	Fixed	0	3351	\$4,747,664.00
Davidson	ODC	One Hundred Oaks Imaging	2011	1	Fixed	0	2869	\$4,720,681.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2009	2	Fixed	0	2860	\$4,117,932.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2010	2	Fixed	0	2560	\$3,506,325.00
Davidson	ODC	Outpatient Diagnostic Center of Nashville	2011	2	Fixed	0	3865	\$4,755,916.00
Davidson	PO	Pain Management Group, PC	2009	1	Fixed	0	1152	\$1,823,428.00
Davidson	PO	Pain Management Group, PC	2010	1	Fixed	0	1891	\$0.00
Davidson	PO	Pain Management Group, PC	2011	1	Fixed	0	1715	\$2,410,306.00
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2009	2	Fixed	0	5654	\$8,136,286.00
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2010	2	Fixed	0	6200	\$8,768,190.44
Davidson	ODC	Premier Orthopaedics and Sports Medicine	2011	2	Fixed	0	6229	\$8,955,969.00
Davidson	ODC	Premier Radiology Belle Meade	2009	3	Fixed	0	9373	\$12,906,781.00
Davidson	ODC	Premier Radiology Belle Meade	2010	3	Fixed	0	7222	\$10,541,949.00
Davidson	ODC	Premier Radiology Belle Meade	2011	3	Fixed	0	7872	\$13,900,923.00
Davidson	ODC	Premier Radiology Edmondson Pike	2009	1	Mobile (Full)	5 days/week	1297	\$2,524,234.00
Davidson	ODC	Premier Radiology Edmondson Pike	2010	1	Mobile (Full)	5 days/week	1328	\$2,662,340.00
Davidson	ODC	Premier Radiology Edmondson Pike	2011	1	Mobile (Full)	5 days/week	931	\$1,566,109.00
Davidson	ODC	Premier Radiology Hermitage	2009	2	Fixed	0	4433	\$6,542,039.00
Davidson	ODC	Premier Radiology Hermitage	2010	2	Fixed	0	4779	\$7,153,964.00
Davidson	ODC	Premier Radiology Hermitage	2011	2	Fixed	0	4931	\$8,973,043.00
Davidson	ODC	Premier Radiology Nashville	2009	1	Fixed	0	2501	\$4,697,015.00
Davidson	ODC	Premier Radiology Nashville	2010	1	Fixed	0	3012	\$6,051,823.00
Davidson	ODC	Premier Radiology Nashville	2011	1	Fixed	0	2492	\$4,346,364.00
Davidson	ODC	Specialty MRI	2009	1	Fixed	0	2062	\$4,588,846.00
Davidson	ODC	Specialty MRI	2010	1	Fixed	0	1762	\$4,000,665.00
Davidson	ODC	Specialty MRI	2011	1	Fixed (Shared)	0	1562	\$3,546,375.00
Davidson	ODC	St. Thomas Heart	2009	1	Fixed	0	1851	\$2,516,390.00
Davidson	ODC	St. Thomas Heart	2010	1	Fixed	0	3454	\$2,179,486.00
Davidson	ODC	St. Thomas Heart	2011	1	Fixed	0	2076	\$1,759,094.00
Davidson	HOSP	St. Thomas Hospital	2009	3	Fixed	0	6457	\$15,992,896.00
Davidson	HOSP	St. Thomas Hospital	2010	3	Fixed	0	6049	\$17,029,834.00
Davidson	HOSP	St. Thomas Hospital	2011	3	Fixed	0	5643	\$19,181,504.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2009	3	Fixed	0	8719	\$13,399,493.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2010	3	Fixed	0	7892	\$12,097,457.00
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	2011	3	Fixed	0	7181	\$11,631,898.00
Davidson	HOSP	TriStar Centennial Medical Center	2009	3	Fixed	0	6736	\$27,458,628.00

Health Care Providers that Utilize MRI's in Davidson County

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Charges
Davidson	HOSP	TriStar Centennial Medical Center	2010	3	Fixed	0	7326	\$32,068,453.00
Davidson	HOSP	TriStar Centennial Medical Center	2011	3	Fixed	0	7561	\$35,729,421.00
Davidson	HOSP	TriStar Skyline Medical Center	2009	2	Fixed	0	7398	\$29,762,653.00
Davidson	HOSP	TriStar Skyline Medical Center	2010	2	Fixed	0	7481	\$33,351,135.00
Davidson	HOSP	TriStar Skyline Medical Center	2011	2	Fixed	0	7339	\$35,589,283.00
Davidson	HOSP	TriStar Southern Hills Medical Center	2009	1	Fixed	0	3328	\$10,233,361.00
Davidson	HOSP	TriStar Southern Hills Medical Center	2010	1	Fixed	0	2586	\$8,538,810.00
Davidson	HOSP	TriStar Southern Hills Medical Center	2011	1	Fixed	0	2528	\$8,948,350.00
Davidson	HOSP	TriStar Summit Medical Center	2009	1	Fixed	0	3762	\$15,304,590.00
Davidson	HOSP	TriStar Summit Medical Center	2010	1	Fixed	0	3718	\$16,548,276.00
Davidson	HOSP	TriStar Summit Medical Center	2011	1	Fixed	0	3723	\$17,595,215.00
Davidson	HODC	TriStar Summit Medical Center - ODC	2009	1	Fixed (Shared)	0	2539	\$9,417,426.00
Davidson	HODC	TriStar Summit Medical Center - ODC	2010	1	Fixed (Shared)	0	2072	\$8,606,976.00
Davidson	HODC	TriStar Summit Medical Center - ODC	2011	1	Fixed (Shared)	0	1858	\$8,007,223.00
Davidson	HOSP	Vanderbilt University Hospital	2009	6	Fixed	0	20679	\$72,188,731.00
Davidson	HOSP	Vanderbilt University Hospital	2010	6	Fixed	0	25471	\$91,647,237.00
Davidson	HOSP	Vanderbilt University Hospital	2011	6	Fixed	0	27040	\$92,442,216.00
Medical Equipment Registry - 1/24/2013								
Year				Units				
Total 2009				49	Scans Scans per Unit			
Total 2010				49	118807 2,425			
Total 2011				50	126194 2,575			
					124815 2,496			

MRI Tenant Improvement

February 13, 2013

Project Location:

3000 Charlotte Avenue
Nashville, TN 37209

Prepared For:

Tennessee Orthopaedic Alliance

TOA

Gary W. Poland RT.(R)(MR)
TOA MRI Director
Phone 615-695-7722
Fax 615-329-1130

Prepared By:



HOLLADAY
CONSTRUCTION
GROUP

Jeff Kurzhal, AIA
1508 Elm Hill Pike, Suite 100
Nashville, TN 37210
P. 615-312-4650
E. jkurzhal@hcgllc.net



HOLLADAY CONSTRUCTION GROUP

Creating Solutions...Building Relationships

TOA

MRI Tenant Improvement

Cost Analysis Summary

Holladay Construction Group has reviewed the proposed schematic plans and shielding proposal for the MRI tenant improvement project to be constructed for Tennessee Orthopaedic Alliance at 3000 Charlotte Avenue. Based on our extensive medical office experience, and assuming the Holladay Construction Group is awarded the contract, it is our opinion that the 4,565 square foot suite can be constructed per the costs noted on the attached "Projects Cost Chart." Below is a list of documents Holladay was provided for review. Our assumptions and exclusions are also noted below. Additionally, I have attached the exhibits we used to make our determination.

Documents Reviewed (Exhibits)

The following is a list of documents provided to Holladay Construction Group for our review in assisting the client on preparing the project budget and schedule.

Exhibit A: Schematic floor plan dated 2-4-13 indicating special relationships of support functions within the MRI suite. Approximate size to be 83 feet by 55 feet for a total square footage of 4,565.

Exhibit B: Shielding Proposal dated 2-5-13 detailing the scope of work to complete two RF shielded rooms approximately 20'22'x10' high.

Exhibit C: Project Costs Chart showing a budget of \$110 psf plus the shielding costs noted in Exhibit B.

Exhibit D: Project Completion Forecast Chart indicating the anticipated timelines of the project.

Assumptions and Exclusions

- Tenant improvements to be constructed in 1st generation shell space – no demo required.
- Tenant space will have base building HVAC but will require distribution within the suite.
- Dedicated MRI mechanical and electrical equipment will be provided by equipment suppliers.
- Base electrical capacity will be designed into the shell building.
- Electrical distribution within the suite will be included in the tenant improvement cost.
- All Equipment and furniture is by others.

Please feel free to contact me with any questions or concerns.

Jeff Kurzhal, AIA
Project Manager – Nashville
615-312-4650
jkurzhal@hcgllc.net

Corporate	Portage	Indianapolis	Nashville	Ashland
227 S Main Street #200 South Bend, IN 46601 Phone: 574.234.2073 Fax: 574.284.3796	1605 Adler Circle #E Portage, IN 46368 Phone: 219.841.6416 Fax: 219.764.0446	5715 Decatur Blvd. Indianapolis, IN 46241 Phone: 317.856.9000 Fax: 317.856.9012	1508 Elm Hill Pike Ste. 100 Nashville, TN 37210 Phone: 615.244.9620 Fax: 615.365.3234	11159 Air Park Rd. Suite 2 Ashland, VA 23005 Phone: 804.496.6182 Fax: 804.496.6183

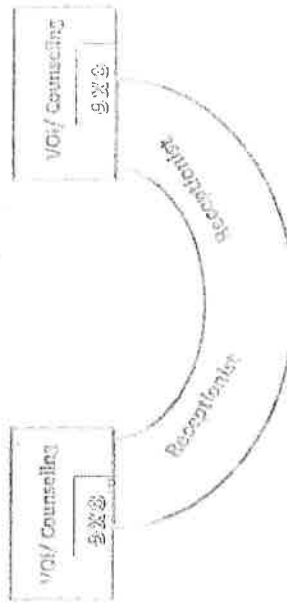
Exhibit A

83 Feet



55 Feet

TOA
TUNNEY OCEANIC ALABAMA MRI
4565 Sq. Ft.





Advanced Healthcare Construction

for all your medical imaging needs

28 S. Old Military Rd
St. Joseph, TN 38481

(931) 242-6433

(931) 242-1605

February 5, 2013

Ref. RF shielding quote for TOA of Nashville, Tenn. currently located at 301 21st Street.

Attn. Gary Poland

Advanced Healthcare Construction, AHC, would like to provide a scope of work and costing needed to provide a complete RF shielded room which is approx. 20'x22'x 10' high side walls. This project is with TOA of Nashville and consists of two complete RF shielded rooms designed to meet or exceed RF shielding requirements of whatever MRI vendor is selected. The scope includes:

- (1) Room will be framed with rough openings also framed out per drawings. This work will be done by your general contractor and will be done prior to AHC coming on site to do the shielding.
- (2) AHC will install a joist system over the MRI scan room using metal joist and track. This is necessary for us to have something to attach our shielding system to.
- (3) AHC will be responsible for supplying and installing fire rated plywood to the walls and ceiling area. This is necessary in order to have something to attach copper shielding to.
- (4) AHC will then attach copper shielding to the walls, ceiling, and floor. Prior to installing copper on the floor, AHC will install a layer of VCT flooring as an isolator to keep the copper from being in contact with the concrete.
- (5) AHC's shield package contains one 6'x3' RF view window, one 4'x7' RF door, a wave guide that will penetrate the shield for cryogen vent piping, all A/C wave grills required for bring A/C and exhaust fans into the room, electrical filters per electrical engineer drawings installed for bringing power into the room, any wave guides for MRI vendor's purposes, and any other penetrations required such as sprinkler, etc. Please note, no RF shielded windows are included for exterior walls at this time.

- (6) A self leveling product, Schonox, will be poured on the floor in the room to bring the floor up to desired height and to protect the shielding.
- (7) AHC will fur the walls inside the room with fire rated 2x4's on the flat for electrical rough in and for sheet rock to be installed to. Electric and sheet rock not included.
- (8) AHC will install a wave guide for the cryogen vent piping inside the scan room. It will be your mechanical contractor's responsibility to terminate it to the magnet and to the outside.
- (9) Once the MRI has been placed inside the scan room, the hatch wall will be framed by your general contractor. AHC will then apply fire rated plywood and copper shielding to that area and complete the RF shielding.
- (10) AHC will be responsible for installing the penetration panel that is furnished by the MRI vendor.
- (11) After the shielding is complete, an independent test company will come in and do a test on the shield to certify that it meets or exceeds vendor's requirements.

There is no allowance for magnetic shielding at this time. The 5 gauss should be contained within the walls of the scan room.

Total cost for the above mentioned scope of work: \$40,445.00 per shielded room for a total cost of \$80,890.00

Payment terms: 25% due with signed PO. An additional 25% due once shield is installed. Final 50% due once hatch has been closed and room has passed RF test.

This price is good for 60 days

Please call me with any questions you might have regarding our scope.

Tommy Meyer

Advanced Healthcare Construction

PROJECT COSTS CHART

2013 FEB 15 PM 12 58 Exhibit C

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees (Included in T.I. allowance and reflected in total lease payments)		\$ -
2. Legal, Administrative, Consultant Fees		\$20,000
3. Acquisition of Site		
4. Preparation of Site		
5. Construction Costs (Net of T.I. allowance)		\$ 286,315.00
6. Contingency Fund		\$ 28,632.00
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000.00)		
9. Other (Specify) Relocation of (2) MRI Units		\$ 275,000.00
B. Acquisition by gift donation, or lease:		
1. Facility (Inclusive of building and land) (Total lease payments)		\$ 1,802,756.68
2. Building Only		
3. Land Only		
4. Equipment (Specify)		
5. Other (Specify)		
C. Financing Costs and Fees:		
1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify)		
D. Estimated Project Cost (A+B+C)		\$ 2,412,703.68
E. CON Filing Fee		\$ 5,428.58
F. Total Estimated Project Cost (D & E)		\$ 2,418,132.26
TOTAL		\$ 2,418,132.26

2013 FEB 15 PM 12 53

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
May, 2013. (Below calculated from June, 2013).

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>PHASE</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>N/A</u>	<u>March, 2013</u>
2. Construction documents approved by the Tennessee Department of Health	<u>N/A</u>	<u>N/A</u>
3. Construction contract signed	<u>60</u>	<u>July, 2013</u>
4. Building permit secured	<u>N/A</u>	<u>N/A</u>
5. Site preparation completed	<u>N/A</u>	<u>N/A</u>
6. Building construction commenced	<u>N/A</u>	<u>N/A</u>
7. Construction 40% complete	<u>N/A</u>	<u>N/A</u>
8. Construction 80% complete	<u>N/A</u>	<u>N/A</u>
9. Construction 100% complete (approved for occupancy)	<u>N/A</u>	<u>N/A</u>
10. *Issuance of license	<u>N/A</u>	<u>N/A</u>
11. *Initiation of service	<u>540</u>	<u>December, 2014</u>
12. Final Architectural Certification of Payment	<u>N/A</u>	<u>N/A</u>
13. Final Project Report Form (HF0055)	<u>600</u>	<u>February, 2015</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Physicians

Dave A. Alexander, Jr., M.D.
Allen F. Anderson, M.D.
Christopher P. Ashley, M.D.
Matthew O. Barrett, M.D.
W. Cooper Beazley, M.D.
S.R. Brown, M.D.
Daniel S. Burrus, M.D.
Mark R. Christofersen, M.D.
Robert E. Clendenin III, M.D.
Philip G. Coogan, M.D.
William H. DeVries, M.D.
Keith C. Douglas, M.D.
C. Robinson Dyer, M.D.
W. Blake Garside, Jr., M.D.
R. Edward Glenn, Jr., M.D.
Robert C. Greenberg, M.D.
Jeffrey L. Herring, M.D.
Stanley G. Hopp, M.D.
O. Tom Johns, M.D.
Michael R. Jordan, M.D.
Kyle S. Joyner, M.D.
Philip A. G. Karpos, M.D.
Brian E. Koch, M.D.
Kurtis L. Kowalski, M.D.
William B. Kurtz II, M.D.
William H. Ledbetter, M.D.
Edward S. Mackey, M.D.
J. Bartley McGehee III, M.D.
Russell C. McKissick, M.D.
Michael A. Milek, M.D.
J. Wills Oglesby, M.D.
Daniel L. Phillips, M.D.
Richard A. Rogers, M.D.
S. Matthew Rose, M.D.
James L. Rungee, M.D.
William A. Shell, Jr., M.D.
Juris Shibayama, M.D.
Jane M. Siegel, M.D.
Stuart E. Smith, M.D.
Robert B. Snyder, M.D.
S. Tyler Staelin, M.D.
Gray C. Stahlman, M.D.
Robert E. Stein, M.D.
Timothy J. Steinagle, D.O.
R. David Todd, M.D.
Thomas E. Tompkins, M.D.
Roderick A. Vaughan, M.D.
Lydia A. White, M.D.
Matthew P. Willis, M.D.
James R. Yu, M.D.

Baptist Office

301 21st Avenue North
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(615) 329-6600 Fax (615) 329-4858

Clarksville Office

141 Hillcrest Drive
Clarksville, Tennessee 37043
(931) 552-4340 Fax (931) 552-0999

Gallatin Office

270 E. Main St., Suite 300
Gallatin, Tennessee 37066
(615) 675-2000 Fax (615) 278-1672

Hendersonville Office

353 New Shackle Island Road
Building C, Suite 148
Hendersonville, Tennessee 37075
(615) 265-5000 Fax (615) 265-5005

Murfreesboro Office

1800 Medical Center Parkway, Suite 200
Murfreesboro, Tennessee 37129
(615) 896-6800 Fax (615) 890-3266

Saint Thomas Office

4230 Harding Road, Suite 1000
Nashville, Tennessee 37205
(615) 383-2693 Fax (615) 297-1449

Skyline Office

3443 Dickerson Pike, Suite 480
Nashville, Tennessee 37207
(615) 263-6500 Fax (615) 263-6505

Smyrna Office

300 StoneCrest Blvd., Suite 300
Smyrna, Tennessee 37167
(615) 267-6600 Fax (615) 267-6603

Williamson Medical Center

4323 Carothers Road, Suite 600
Franklin, Tennessee 37067
(615) 236-5000 Fax (615) 236-5005



February 11, 2013

Ms. Melanie M. Hill
Executive Director
State of Tennessee
Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Dear Ms. Hill,

This letter is to confirm that Tennessee Orthopaedic Alliance (TOA) will fund all costs associated with the relocation of existing MRI equipment and ongoing operations from current and reserved cash flows generated from ongoing patient service revenues. TOA also maintains a \$ 2M revolving line of credit at US Bank as back-up in the event of any short term cash deficiencies. This line of credit has not been accessed in the past two (2) + years.

It is my responsibility as Chief Financial Officer of TOA to ensure that all accounts payable and all other operating liabilities are paid promptly in accordance with established vendor / supplier payment terms. Sufficient funding will be available to cover all costs associated with this project.

Thank you very much.

Sincerely,

A handwritten signature in dark ink that reads "Susan W. Jones". The signature is fluid and cursive, with the first name "Susan" and last name "Jones" clearly legible.

Susan W. Jones
CFO

Attachment C, II, Economic Feasibility, 2

MRI Examination	CPT Code	Current Charges	Proposed Charges	Medicare Reimbursement
MRI Soft Tissue Neck	70543	\$2,476.00	\$2,476.00	\$707.33
MRI Brain W/O Contrast	70551	\$1,699.00	\$1,699.00	485.43
MRI Brain W/WO Contrast	70553	\$2,041.00	\$2,041.00	\$701.71
MRI Chest W/O Contrast	71550	\$1,850.00	\$1,850.00	\$528.60
MRI Cervical W/O Contrast	72141	\$1,548.00	\$1,548.00	\$442.34
MRI Cervical W/Contrast	72142	\$1,585.00	\$1,585.00	\$549.14
MRI Cervical W/WO Contrast	72156	\$2,463.00	\$2,463.00	\$703.63
MRI Thoracic W/O Contrast	72146	\$1,579.00	\$1,579.00	\$451.05
MRI Thoracic W/Contrast	72147	\$1,748.00	\$1,748.00	\$499.32
MRI Thoracic W/WO Contrast	72157	\$2,330.00	\$2,330.00	\$665.62
MRI Lumbar W/O Contrast	72148	\$1,557.00	\$1,557.00	\$444.89
MRI Lumbar W/Contrast	72149	\$1,894.00	\$1,894.00	\$541.19
MRI Lumbar W/WO Contrast	72158	\$2,423.00	\$2,423.00	\$692.40
Upper Extremity not Joint	73218	\$1,691.00	\$1,691.00	\$483.20
Upper Extremity not Joint wo/w Contrast	73220	\$2,392.00	\$2,392.00	\$715.00
Upper Extremity with Joint	73221	\$1,603.00	\$1,603.00	\$457.86
Upper Extremity W/Joint wo/w Contrast	73223	\$2,387.00	\$2,387.00	\$681.90
Lower Extremity Not Joint	73718	\$1,664.00	\$1,664.00	\$475.41
Lower Extremity Not Joint wo/w Contrast	73720	\$2,503.00	\$2,503.00	\$715.00
Lower Extremity With Joint	73721	\$1,632.00	\$1,632.00	\$466.23
Lower Extremity With Joint wo/w Contrast	73723	\$2,382.00	\$2,382.00	\$680.50
MRI Pelvis	72195	\$1,692.00	\$1,692.00	\$483.52
MRI Pelvis W/WO Contrast	72197	\$2,511.00	\$2,511.00	\$717.31

TENNESSEE ORTHOPAEDIC ALLIANCE, PA
Balance Sheet Current Year vs Prior Year End
As of December 31, 2012

ASSETS	12/31/2012	12/31/2011
CURRENT ASSETS		
Cash	(\$163,228)	\$509,610
Accounts Receivable	\$6,493,758	\$7,971,446
Prepaid Expenses	\$1,053,744	\$1,190,950
Inventory	\$219,308	\$324,919
TOTAL CURRENT ASSETS	\$7,603,581	\$9,996,925
LONG TERM INVESTMENTS		
Long-Term Investments	\$165,654	\$71,193
TOTAL LONG TERM INVESTMENTS	\$165,654	\$71,193
PROPERTY PLANT & EQUIPMENT		
Property, Plant and Equipment	\$18,729,072	\$17,370,270
Less: Accumulated Depreciation	(\$13,516,048)	(\$11,697,531)
Work in Process	\$109,857	-
NET PROPERTY PLANT & EQUIPMENT	\$5,322,881	\$5,672,739
OTHER ASSETS		
Intangible Assets	\$39,438	\$39,438
Other Assets	\$1,644,711	\$858,060
TOTAL OTHER ASSETS	\$1,684,149	\$897,498
TOTAL ASSETS	\$14,776,265	\$16,638,354

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	\$976,997	\$1,200,785
Taxes Payable	\$193,995	\$1,387,805
Accrued Pension	\$5,683,838	\$3,932,121
Other Accrued Expenses	\$1,625,173	\$1,667,399
Other Current Liabilities	\$6,545,458	\$4,727,504
TOTAL CURRENT LIABILITIES	\$15,025,462	\$12,915,614
LONG-TERM LIABILITIES		
Long-Term Debt	\$2,215,148	\$3,022,595
TOTAL LONG-TERM LIABILITIES	\$2,215,148	\$3,022,595
TOTAL LIABILITIES	\$17,240,610	\$15,938,209
STOCKHOLDERS' EQUITY		
Common Stock	\$158,021	\$158,021
Additional Paid-in Capital - Common	\$81,398	\$81,398
Treasury Stock	(\$375,933)	(\$275,933)
Other Accumulated Comprehensive Income	(\$1,257,299)	(\$539,940)
Retained Earnings	(\$373,954)	\$2,410,316
Year-to-Date Net Income (Loss)	(\$696,578)	(\$1,133,717)
TOTAL STOCKHOLDERS' EQUITY	(\$2,464,345)	\$700,145
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$14,776,265	\$16,638,354

TENNESSEE ORTHOPAEDIC ALLIANCE, PA
CONSOLIDATED SUMMARY INCOME STATEMENT
As of December 31, 2012

	December 2012	YTD 2012
PATIENT REVENUE		
Patient Revenue	\$16,694,208.54	\$196,679,952.44
Deductions From Revenue	(11,328,951.94)	(124,449,951.58)
NET PATIENT REVENUE	5,365,256.60	72,230,000.86
TOTAL CASH COLLECTIONS	5,844,401.73	72,903,526.87
OTHER REVENUE		
Other Income	4,905.30	188,313.85
TOTAL OTHER REVENUE	4,905.30	188,313.85
TOTAL REVENUE	5,849,307.03	73,091,840.72
SALARIES & BENEFITS		
Salaries & Wages	1,473,618.52	18,314,710.53
Payroll Taxes	129,292.22	1,343,356.49
Employee Benefits	181,478.65	3,521,767.35
TOTAL SALARIES & BENEFITS	1,784,389.39	23,179,834.37
OCCUPANCY EXPENSES		
Rent & Leases	338,066.54	4,035,834.12
Telephone	46,789.29	564,239.69
Utilities	13,054.35	153,442.03
TOTAL OCCUPANCY EXPENSES	397,910.18	4,753,515.84
MEDICAL EXPENSES		
Medical Supplies	360,527.13	3,551,558.43
TOTAL MEDICAL EXPENSES	360,527.13	3,551,558.43
ADMINISTRATIVE EXPENSES		
Administrative Expense	64,458.67	586,529.35
Advertising & Promotional	43,332.75	488,214.70
Bank Charges	36,963.27	449,636.16
Billing Expenses	14,660.97	194,736.28
Continuing Education	2,422.23	43,597.74
Depreciation Expense	262,717.86	1,675,347.98
Dues & Subscriptions	5,882.81	56,634.71
Employment Expense	11,645.02	36,603.22
Insurance	12,227.15	133,661.95
Interest Expense	5,575.29	89,699.16
Malpractice Insurance	55,714.58	505,931.85
Meals & Entertainment	6,340.22	51,112.68
Office Supplies	(37,986.49)	211,449.58
Postage & Freight	16,031.95	95,191.29
Professional Fees	66,754.09	483,893.84
Purchased Services	97,136.18	1,264,066.30
State Taxes	14,183.00	106,301.99
Repairs & Maintenance	62,909.06	717,731.05
Taxes & License	10,328.00	122,149.08
Travel	12,651.64	131,857.50
TOTAL ADMINISTRATIVE EXPENSES	763,948.25	7,444,346.41
TOTAL EXPENSES BEFORE ALLOCATED COSTS	3,306,774.95	38,929,255.05
NET OPERATING INCOME BEFORE ALLOCATIONS	2,542,532.08	34,162,585.67
TOTAL OPERATING EXPENSES	3,306,774.95	38,929,255.05
AMOUNT AVAILABLE FOR PHYSICIAN EXPENSES & COMPENSATION	2,542,532.08	34,162,585.67
PHYSICIAN EXPENSES		
Physician Salaries & Benefits	2,508,063.13	34,630,079.82
Other Physician Expenses	1,251.47	229,083.72
TOTAL PHYSICIAN EXPENSES	2,509,314.60	34,859,163.54
NET OPERATING INCOME (LOSS)	\$33,217.48	(\$696,577.87)

Health Care Staffing for Tennessee Orthopedic Alliance MRI service

Position	FTE	Hourly Rate of Pay	Annual Salary	Median Wage Dept. of Workforce & Development
MRI Technologist	1	\$30.92	\$64,315.20	\$51,844.00
MRI Technologist	1	\$30.44	\$63,315.20	\$51,844.00
MRI Technologist	1	\$25.78	\$53,622.40	\$51,844.00
MRI Technologist	1	\$23.00	\$47,840.00	\$51,844.00
MRI Technologist	1	\$28.70	\$59,696.00	\$51,844.00



American College of Radiology

Magnetic Resonance Imaging Services of

Tennessee Orthopaedic Alliance

**MRI Department
301 21st Avenue North
Nashville, Tennessee 37203**

were surveyed by the
Committee on MRI Accreditation of the
Commission on Quality and Safety

The following magnet was approved

Philips GYROSCAN NT INTERA 1998

For

Spine, MSK

Accredited from:

March 03, 2011 through March 03, 2014

A handwritten signature in black ink, appearing to be "Ch. 1 R. R.", is written over a horizontal line.

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

A handwritten signature in black ink, appearing to be "James H. Hall, MD", is written over a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

MRAP# 01142-01



American College of Radiology

Magnetic Resonance Imaging Services of

Tennessee Orthopaedic Alliance

**MRI Department
301 21st Avenue North
Nashville, Tennessee 37203**

were surveyed by the
Committee on MRI Accreditation of the
Commission on Quality and Safety

The following magnet was approved

Philips GYROSCAN NT INTERA 2000

For

Spine, MSK

Accredited from:

March 03, 2011 through March 03, 2014

A handwritten signature in black ink, appearing to be "Chris R.", is written over a horizontal line.

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

A handwritten signature in black ink, appearing to be "James H. Hall, MD", is written over a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

AFFIDAVIT

2013 FEB 15 PM 12 53

STATE OF TENNESSEE)
)
COUNTY OF DAVIDSON)

Re: Tennessee Orthopedic Alliance, P.C.

BLAKE GARSIDE

, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Agency Rules, and T.C.A. § 68-11-1601, et seq., and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Blake Garside

Name

President

Title

Sworn to and subscribed before me this the 13th day of February, 2013 a Notary Public in and for Davidson County, Tennessee.

Carolyn C. Lovelace
Notary Public

My Commission Expires: My Commission Expires SEPT. 9, 2014





State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

March 1, 2013

Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, TN 37219

RE: Certificate of Need Application -- Tennessee Orthopedic Alliance, P.A. - CN1302-004

Dear Mr. Taylor:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need for the relocation of two (2) MRI units from the current location of 301 21st Avenue North to 3000 Charlotte Avenue, Nashville (Davidson County), TN. The proposed service area is Davidson County. The estimated project cost is \$2,418,133.00.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on March 1, 2013. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on the CONSENT CALENDAR on May 22, 2013.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
-

Jerry W. Taylor, Esq.
March 1, 2013
Page 2

- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill
Executive Director

cc: Lori B. Ferranti, TDH, PPA



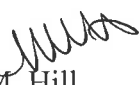
State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

MEMORANDUM

TO: Lori B. Ferranti, Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Cordell Hull Building, 6th Floor
425 Fifth Avenue North
Nashville, Tennessee 37247

FROM: 
Melanie M. Hill
Executive Director

DATE: March 1, 2013

RE: Certificate of Need Application
Tennessee Orthopedic Alliance, P.A. - CN1302-004

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on March 1, 2013 and end on May 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact Mark Farber, Deputy Director.

Enclosure

cc: Jerry W. Taylor, Esq.



LETTER OF INTENT AM 10 22
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in The Tennessean, which is a newspaper of general circulation in Davidson County, Tennessee, on or before February 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Tennessee Orthopedic Alliance owned and operated by Tennessee Orthopedic Alliance, P.C., located at 301 21st Avenue, No., Nashville, Tennessee intends to file an application for a Certificate of Need for the relocation of two MRI units from the current location to TOA's proposed future office space to be located at 3000 Charlotte Avenue, Nashville Tennessee. There are no inpatient beds, new services or new major medical equipment involved in this project. The estimated project cost is not to exceed \$3,200,000.00.

The anticipated date of filing the application is February 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, e-mail: jerry.taylor@stites.com.

Signature

Date

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

February 21, 2013

Jerry L. Taylor, Attorney
Stites and Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, TN 37219

RE: Certificate of Need Application CN1302-004
Tennessee Orthopedic Alliance

Dear Mr. Taylor:

This will acknowledge our February 15, 2013 receipt of your application requesting review for the relocation of two (2) MRI units from the current location at 301 21st Avenue North, Nashville (Davidson County) to 3000 Charlotte Avenue, Nashville (Davidson County) TN.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Thursday, February 28, 2013. If the supplemental information requested in this letter is not submitted by or before this time, consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 13

Please clarify if Tennessee Orthopedic Alliance is in network with TennCare Select or accepts TennCare Select patients on an out of network basis.

Approximately what was the percentage of Tennessee Orthopedic Alliance's patient load were AmeriGroup patients?

Please discuss how the new proposed building's lay-out and design and increased square footage will be better suited for MRI services over the current location.

Please discuss the economic advantages for the applicant by relocating MRI services to the new proposed site.

Please describe the proposed structure that will house the MRIs. In addition, please describe businesses/structures that adjoin the proposed relocation site.

2. Section A, Applicant Profile, Item 9

Please discuss the impact of not having an AmeriGroup contract will have on the MRI utilization and gross charges at the new proposed site. Also, please indicate the amount of revenue which will be lost as a result of not having an AmeriGroup contract.

3. Section B Project Description, Item I.

The applicant notes TOA proposes to move its two 1.0 Tesla, full body MRIs to the new proposed office location. Please indicate the age of the two MRI's and the remaining useful life of both.

4. Section B, Project Description, Item III (b).

Please briefly describe the relationship of the proposed site to any highway, interstates or major road developments in the area.

5. Section C, Economic Feasibility, Item 2

Please provide documentation from a lending institution regarding the availability of an existing commercial line of credit.

6. Section C, Economic Feasibility, Item 10

The copy of Tennessee Orthopedic Alliance, PA's financial statements are noted. The balance sheet for the period ending December 31, 2012 reflected total current assets of \$7,603,581 and total current liabilities in the amount of \$15,025,462 which calculates to a current ratio of .50:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. Please clarify how the applicant intends to fund the project from cash reserves when it appears as though the organization may not have adequate resources to cover current liabilities.

7. Section C, Contribution to Orderly Development, Item 1

The listing of RadSource/Imaging Specialists for MRI Interpretation studies is noted. Please describe this organization and their contractual and/or working relationship to the applicant.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday April 20, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Mr. Jerry Taylor
February 21, 2013
Page 4

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip M. Earhart". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Phillip M. Earhart
Health Services Development Examiner

Enclosure/PME

PME
Enclosure

TOATENNESSEE ORTHOPAEDIC ALLIANCE, P.A.
OPERATING ACCOUNT
301 21st Avenue North
Nashville, TN 37203US Bank
Tennessee

87-5/640

CHECK DATE
Feb 6, 2013CHECK NUMBER
010626AMOUNT
\$5,428.58

PAY Five Thousand Four Hundred Twenty Eight Dollars and 58 Cents

PAY
TO THE
ORDER
OF
Health Services And Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

VOID AFTER 60 DAYS



Authorized Signature

MP

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

⑈010626⑈ ⑆064000059⑆ 151203678090⑈

STATE OF TENNESSEE
Health Services and Dev Agency
Office 31607001
2/15/2013 2:09 PMCashier: annlr0811001
Batch #: 451476
Trans #: 3
Workstation: AF0719WP45

=====

CON Filing Fees	
Receipt #: 09316327	
HA01 CON Filing Fees	\$5,428.58
Payment Total:	\$5,428.58
=====	
Transaction Total:	\$5,428.58
Check	\$5,428.58

Thank you for your payment.
Have a nice day!

CN 1302-004

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF _____

NAME OF FACILITY: _____

I, _____, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the _____ day of _____, 20____, witness my hand at office in the County of _____, State of Tennessee.

NOTARY PUBLIC

My commission expires _____

HF-0043

Revised 7/02

COPY-

SUPPLEMENTAL-1

Tennessee Orthopedic Alliance

CN1302-004

SUPPLEMENTAL

RESPONSES TO SUPPLEMENTAL QUESTIONS

CERTIFICATE OF NEED APPLICATION

FOR

TENNESSEE ORTHOPEDIC ALLIANCE

Project No. CN1302-004

Davidson County, Tennessee

February 27, 2013

Contact Person:

**Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, Tennessee 37219
615-782-2228**

1. Section A, Applicant Profile, Item 13

Please clarify if Tennessee Orthopedic Alliance is in network with TennCare Select or accepts TennCare Select patients on an out of network basis.

TOA is not in network with TennCare Select but can and does accept BCBS TennCare Select patients on an out-of-network basis.

Approximately what was the percentage of Tennessee Orthopedic Alliance's patient load were AmeriGroup patients?

Approximately 2.5% of TOA's MRI examinations at the Nashville location in 2012 were Amerigroup patients.

Please discuss how the new proposed building's lay-out and design and increased square footage will be better suited for MRI services over the current location.

The new layout will improve HIPAA compliance by separating MRI services from clinic patient flow and other departments, such as hand therapy, allowing patients to be interviewed and counseled more privately. The layout will be more efficient by incorporating a restroom in each of the dressing rooms and will enhance patient flow to and from the magnet room and on-deck room.

Safety and security will be improved since the new layout will allow any technologist in the control room to audibly and visually monitor patients in both magnet rooms at all times. Entrances into the new magnet rooms can be monitored directly from the MRI control room at all times. In addition, the magnet room doors will open outward to relieve the room pressure in the event of a magnet quench instead of the older designs that had the doors opening inward and requiring a window to be broken to relieve the pressure.

The more efficient layout will improve throughput and the MRI department being independent of clinic workflow will allow MRI patients to be seen outside normal clinic hours as needed. The new MRI will be located on the ground floor near the entrance to the facility, which will make the department more easily accessible. Patients will not have to navigate through the entire clinic to get to the new MRI department, as is now the case.

The building design will allow for the magnet systems to be accessed more easily and more cost effectively if/when systems are eventually replaced.

Please discuss the economic advantages for the applicant by relocating MRI services to the new proposed site.

This new facility and MRI will be in the new “One City” development which will increase TOA’s visibility and provide better access to the facility and our services. The new location is located at the crossroads of the new healthcare corridor created by the completion of the 28th – 31st Avenue connector. This location enjoys one of the highest traffic volumes in Nashville and will facilitate easier patient access from the West End and North Nashville areas. The decision to move TOA’s largest office to this exciting new location is strategically important for TOA’s continued growth and ability to meet patient demand for orthopedic surgical services. It would be economically disadvantageous to separate MRI diagnostic services from TOA’s largest location, both from a patient inconvenience and lease duplication standpoint. Additional space for new physicians will allow TOA to care for more patients. The more efficient layout in MRI will also allow us to provide care to more patients.

Please describe the proposed structure that will house the MRIs. In addition, please describe businesses/structures that adjoin the proposed relocation site.

The new facility will be a 4 story structure that will house clinic, physical therapy, occupational therapy and MRI services for TOA’s largest office. MRI and therapy services will be on the ground floor near the entrance for convenience and easy access. There will likely be some retail presence on the main floor as well. The magnets will be placed adjacent to an outside wall for easier access to the magnets during replacement. Floors 2 – 4 will house physician offices and clinic space.

2. Section A, Applicant Profile, Item 9

Please discuss the impact of not having an AmeriGroup contract will have on the MRI utilization and gross charges at the new proposed site. Also, please indicate the amount of revenue which will be lost as a result of not having an AmeriGroup contract.

Approximately 2.5% of TOA’s MRI examinations (or 254 exams) in 2012 were Amerigroup patients. Amerigroup patients additionally accounted for 2.45% of the gross charges (\$280,218) and 1.56% of collections (\$60,790). We believe volumes will be maintained if not increased due to: (i) anticipated physician growth; (ii) increased MRI efficiency related to the new space; (iii) anticipated growth of TOA’s United Healthcare TennCare patient population (in the wake of TOA’s Amerigroup contract termination); (iv) intensified spine marketing in Davidson County; and (v) introduction of arthrogram MRI services.

3. Section B Project Description, Item I.

The applicant notes TOA proposes to move its two 1.0 Tesla, full body MRIs to the new proposed office location. Please indicate the age of the two MRI’s and the remaining useful life of both.

The first magnet was manufactured, purchased and installed new in 1998. The second magnet was manufactured in 2000 but purchased new and installed in 2003. Both magnets have been serviced and maintained by the manufacturer since installation. Upgrades have been added periodically for both magnets with the last ones being in 2008. Hardware and/or software upgrades extend the life of an MRI system by expanding the types of exams that can be performed and/or introducing newer more advanced pulse sequences to perform them. Both magnets are superconducting magnets so as long as they are maintained with cryogenics, they could theoretically last indefinitely. TOA has preventive maintenance and service agreements with the manufacturer on both magnets that are in effect until 2015 to insure repair and/or replacement of all other hardware and software. Both magnets will likely be replaced at some point before the expiration of that contract, and the appropriate replacement of equipment filings will be made at that time. Both magnets meet or exceed all ACR image quality requirements as evidenced by our ACR Accreditation.

4. Section B, Project Description, Item III (b).

Please briefly describe the relationship of the proposed site to any highway, interstates or major road developments in the area.

The new facility will be in the "One City" development located between Charlotte Ave. and West End. The new 28th – 31st Avenue connector has been completed and affords patients easy access from these two (2) major Nashville thoroughfares. One City (the site of TOA's new office and relocated Nashville MRI operation) sits approximately 2 miles from I-65/40 heading east and approximately 1 mile from I-40 heading north.

5. Section C, Economic Feasibility, Item 2

Please provide documentation from a lending institution regarding the availability of an existing commercial line of credit.

The attached "Second Amendment to Revolving Credit Note" demonstrates the \$2 million line of credit is in place through at least October 31, 2013. It can be extended further if desired.

SECOND AMENDMENT TO REVOLVING CREDIT NOTE

THIS SECOND AMENDMENT TO REVOLVING CREDIT NOTE ("Amendment") is entered into by and between TENNESSEE ORTHOPAEDIC ALLIANCE, P.A., a Tennessee professional corporation (the "Borrower") and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Lender").

WITNESSETH:

WHEREAS:

A. Lender and Borrower entered into a Loan Agreement on the October 28, 2010 (the "Loan Agreement").

B. Pursuant to the terms of the Loan Agreement, Borrower executed a revolving credit note in favor of Lender on the same date in the principal amount of \$2,000,000.00 (the "Revolving Credit Note").

C. The Revolving Credit Note was previously amended pursuant to a First Amendment dated October 26, 2011.

D. Lender and Borrower have agreed to further amend the Revolving Credit Note as provided hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Section 3 of the Revolving Credit Note is hereby amended to extend the Maturity Date to October 31, 2013.

2. Borrower covenants that it is not in default of any of the provisions of the Loan Agreement or the Revolving Credit Note, and that no event has occurred and no claim, offset or other condition exist which would relieve it of any of its obligations to the Lender under said loan documents.

3. Borrower represents that the terms of this Amendment have been duly authorized and approved by a duly adopted resolution of the Borrower, and that the party executing this Amendment on behalf of the Borrower has been authorized to do so.

4. Nothing in this Amendment shall be understood or construed to be a satisfaction, in whole or in part, of the Revolving Credit Note, and this Amendment is not intended to be a novation thereof.

5. Except as amended hereby, the terms and conditions of the Revolving Credit Note shall remain in full force and effect.

SUPPLEMENTAL

EXECUTED by the undersigned on this 26 day of October, 2012.

BORROWER:

TENNESSEE ORTHOPAEDIC
ALLIANCE, P.A.

By: [Signature]

Title: Treasurer

LENDER:

U.S. BANK NATIONAL ASSOCIATION

By: [Signature]

Title: Vice President

6. Section C, Economic Feasibility, Item 10

The copy of Tennessee Orthopedic Alliance, PA's financial statements are noted. The balance sheet for the period ending December 31, 2012 reflected total current assets of \$7,603,581 and total current liabilities in the amount of \$15,025,462 which calculates to a current ratio of .50:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. Please clarify how the applicant intends to fund the project from cash reserves when it appears as though the organization may not have adequate resources to cover current liabilities.

Please see attached response from TOA's Certified Public Accounting firm.

7. Section C, Contribution to Orderly Development, Item 1

The listing of RadSource/Imaging Specialists for MRI Interpretation studies is noted. Please describe this organization and their contractual and/or working relationship to the applicant.

Radsourc/Imaging Specialists is a radiology group that specializes in the interpretation of Orthopaedic MRIs. Radsourc/Imaging Specialists provide real time guidance to the technologists in the performance of MRI examinations, monitors imaging parameters and advises us of new techniques and imaging sequences as they are developed. Radsourc/Imaging Specialists provides guidance to the technologists in imaging implanted devices and contrast administration. In addition, Radsourc/Imaging Specialists provides over-reads of x-rays and MRIs that have been outsourced or previously performed at other facilities.

Radsourc/Imaging Specialists provide all of the aforementioned services for a fee arrangement described in the previously provided agreement document.

The original Publisher's Affidavit from The Tennessean is attached.



February 26, 2013

SUPPLEMENTAL

TOA

RE: TOA's Current Ratio Analysis at 12.31.2012

For income tax purposes, TOA reports on the cash basis of accounting. As a personal service corporation, TOA is subject to Federal income tax rates of 35% and State income tax rates of 6.5% on any taxable income retained by the Corporation at year end. Thus, for income tax purposes, TOA will bonus excess cash to the physicians and accrue a pension liability to reduce taxable income to zero at year end. The IRS allows cash basis tax payers to expense accrued pension liabilities if the accrued amount is disbursed prior to filing the Corporation's timely filed return.

As per the "best practice" tax savings strategy aforementioned, TOA disbursed cash in the form of bonuses totaling \$3,127,013 at year end 2012. In addition during 2012, TOA used operating cash to purchase approximately \$1,000,000 in capital assets, of which, approximately \$834,000 was purchased in December. These fixed asset purchases are prudent because the purchase helps reduce taxable income pursuant to 50% bonus or Section 179 depreciation. Further, as per the "best practice" tax savings strategy aforementioned, TOA accrued expenditures for the 2012 funding of the 401k plan and the cash balance defined benefit plans at year end. It is important to note that contributions to the 401k plan are discretionary.

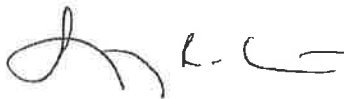
The result of the above transactions impacted the current ratio at 12/31/12. Reducing cash for bonuses and capital asset additions and accruing a current liability for retirement plan contributions to be funded in the next fiscal year, unfavorably impacted the current ratio at year end.

Additionally impacting TOA's current ratio, approximately 55% of TOA's long-term borrowings are expected to be paid in 2013. Thus, these items will be included as current liabilities for current ratio purposes. Although the cash outflow for debt repayment is not affected (remains unchanged) in 2013, the movement of notes payable from long term to current impacts the Corporation's current ratio.

Since borrowings will be paid out of operating cash, i.e. the Corporation must generate taxable income to pay prior debt borrowings, TOA has created taxable loss carry forwards in prior years by performing the aforementioned tax strategy. Thus, TOA will have unused tax loss carry forwards to offset taxable income created as debt is retired.

Another item that impacts the current ratio results from misclassifications in the 12/31/12 balance sheet. The 12/31/12 balance sheet included with the original financial statements submitted included two long term liabilities that were erroneously classified as current liabilities, deferred rent of \$1,384,658 and an unfunded pension liability of \$2,785,457. The deferred rent accrual is not for current rents due. The accrual was produced under GAAP accounting to straight line escalating lease payments over the life of the leases. Likewise the unfunded pension obligation is not for current pension funding. The accrual was produced under GAAP and accounts for future retirement obligations related to the defined benefit plan (computed on the cash basis, not including the accrual for current year funding which is reported as a current liability).

In conclusion, knowing that the Company attempts to have no cash at the beginning of the year, if one was to adjust the current ratio for bonuses paid, asset purchases and adjusting for the two misclassifications on the balance sheet submitted for 12/31/12, the current ratio would exceed 1:1.

A handwritten signature in dark ink, appearing to read 'Lucy R. Carter', with a stylized flourish at the end.

Lucy R. Carter, CPA

Affidavit of Publications

SUPPLEMENTAL

Newspaper: THE TENNESSEAN

State Of Tennessee

TEAR SHEET
ATTACHED

Account Number: 540273

Advertiser: TENNESSEE ORTHOPEDIC ALLIANCE,

RE: NOI CERTIFICATE OF NEEDI, Holly Peny Sales Assistant for theabove mentioned newspaper, hereby certify that the attached
advertisement appeared in said newspaper on the following dates:✓
2/10/2013Holly PenySubscribed and sworn to me this 11 day of February, 2013Sela Bates

NOTARY PUBLIC



THE TENNESSEAN

TENNESSEE

tends to file an application for a Certificate of Need to construct a new fourth floor of medical-surgical beds, and to initiate neonatal intensive care services in a new 6-bed Level II-B neonatal nursery, on its main campus at 355 New Shackle Island Road, Hendersonville, TN 37075, at a capital cost estimated at \$33,000,000.

Hendersonville Medical Center is licensed by the Board for Licensing Health Care Facilities, Tennessee Department of Public Health. The project will not change the total licensed bed complement. The hospital currently holds a single consolidated license for 148 general hospital beds, of which 110 are at its main Hendersonville campus and 38 are at its satellite campus at 105 Redbud Drive, Portland, TN 37148. The project will relocate 13 beds from the satellite campus to the main campus, resulting in 123 licensed beds at the Hendersonville campus and 25 licensed beds at the Portland satellite campus. The project does not contain major medical equipment or initiate or discontinue any other health service.

The anticipated date of filing the application is on or before February 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215, (615) 665-2022. Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Pursuant to T.C.A. Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTICE TO CONSULTANT ENGINEERS REGARDING A REQUEST FOR PROPOSALS February 10, 2013 (Construction Division)

The Tennessee Department of Transportation (TDOT), an Equal Opportunity/Affirmative Action Employer, seeks to retain the services of professional engineering consulting firms to provide expertise in *construction engineering and inspection services* on the project described below. The scope of work will include but not be limited to construction engineering, inspection, surveying, and materials testing. The method of payment shall be cost plus percentage net fee. The project may be withdrawn if anticipated funding does not become available. **Project No. 1:** SR-26 Bridge Replacement over Caney Fork River and Sligo Road, in DeKalb County. *The goal of the department is to retain a firm with specialty experience in the Deep Water Construction/Drilled Shaft Foundation Inspection.* Firms may request consideration by submitting one electronic copy of **Part II of Form DT-0330** (no hardcopies necessary) to john.saalwaechter@tn.gov, or to the Construction Division at Suite 700 James K. Polk Building, 505 Deaderick Street, Nashville, TN 37243-0326. The form is available on the internet at: <http://www.tdot.state.tn.us/ConsultantInfo/Forms.htm>. Please make sure to include a staffing chart indicating the identities and responsibilities of key employees (including any subcontractors) who will be assigned to the project. Notation should be made if any subcontractor is a DBE, MBE or WBE. A project staffing chart, including suggested and required certifications is available at:

http://www.tdot.state.tn.us/construction/CEI/Advertisement_plans/default.asp

It is requested that **Section H of the DT-0330 form** be used to include a brief description of the current activity/stage of completion for any other TDOT CEI project(s) the firm has been **selected on within the past five (5) years**. The description should identify any project that is inactive or waiting for authorization to proceed with a short explanation for the inactivity. To be considered in our selection process, **completed DT-0330, Part II Forms** must be received by the Construction Division before 4:00 p.m. Central Time on Monday March 4, 2013. If you have any questions or need additional information regarding the scope of the construction inspection and surveying services or submission of Part II of the DT-0330 Form, please contact Mr. John Paul Saalwaechter

Continued to next column

Continued to next column

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NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Tennessee Orthopedic Alliance owned and operated by Tennessee Orthopedic Alliance, P.C., located at 301 21st Avenue, No., Nashville, Tennessee intends to file an application for a Certificate of Need for the relocation of two MRI units from the current location to TOA's proposed future office space to be located at 3000 Charlotte Avenue, Nashville Tennessee. There are no inpatient beds, new services or new major medical equipment involved in this project. The estimated project cost is not to exceed \$3,200,000.00.

The anticipated date of filing the application is February 15, 2013.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c) (1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

quantity thereof, including, but not limited to, the enforceability of any lease affecting the property, the existence or absence of defaults under or the effect or this sale upon the rights of any party under such lease. The Substitute Trustee shall make no warranty of title, express or implied, and will sell and convey the subject real property by Substitute Trustee's Deed only.

The substitute trustee may adjourn or postpone the aforementioned sale of real property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale. If applicable, the Notice requirements of T.C.A. § 35-5-117 have been met.

The failure of any high bidder to pay the purchase price and close the sale shall, at the option of the Substitute Trustee, be cause for rejection of the bid, and, if the bid is rejected, the Substitute Trustee shall have the option of making the sale to the next highest bidder who is ready, willing, and able to comply with the terms thereof. The proceeds derived from the sale of the property will be applied as provided for in said deed of trust.

Terms of sale: Cash
Substitute Trustee: David G. Mangum
Substitute Trustee
2303 Franklin Road
Nashville, TN 37204
(615) 255-8690

Interested Parties: Williamson County Trustee, 2011 delinquent property taxes

Gault Financial, LLC - Assignee of GE Capital/Sam's Club
Publisher
Newspaper: The Williamson AM

Editions dated: Sunday, January 29, February 3, and February 10, 2013
File #71699

RECYCLING
We buy cars, trucks, vans in any cond. Free pick up. No title needed. We beat any reasonable offer. Cash paid on spot. 615-935-5023

**#1 CASH
AUTO BUYER**
Maximum Cash Paid
We Beat Competitor's \$ Minimum Paid \$300-\$750
Any Make/Model Condition
615-767-3484
Instant Cash

BUICK LACROSSE '07, 53K mi. Loaded, garaged. \$10,500, 931-967-4222 or 931-607-9417
Please no solicitors.

BUICK LESABRE '04 Loaded, beige w/leather interior, 77K miles, excellent condition. \$7500 obo: Call 615-517-1426

remote, 94K mi, clean & sporty. \$4995. 330-3152

FORD FUSION '10, SE, Appearance Pkg, Auto, 33+ MPG, All Pwr, Cruise, Excellent Cond. \$11,950. 901-831-0740

HONDA ACCORD '00 EX, 200K mi, black, grey leather, sunroof, auto, pwr, pdl, cruise, tilt, good cond, \$3750. 615-896-0027

HONDA ACCORD '07, EX-L Loaded, only 16K mi, auto, leather, moonroof, 6-disc CD, all pwr, exc. cond. \$14,800. 615-791-8704

HONDA ACCORD '08 EX, 47K, gold, cloth wood grain interior, trim, sunroof, garaged, lady driven, \$15,500. 615-826-5138

HONDA ACCORD 08 EX Sedan, V-6, 58K Miles, Call Danny Cotten 615-478-5598 \$16,870 Used Incl \$189 doc fee plus TTL 017169 TNDL#984

DIXIE
MOTORCYCLES INC.
www.dixiemotorcyclesinc.com

JAGUAR XJ6 '94, white brown leather, 4 door sedan, Loaded, Sunroof. 150K mi. Good condition. \$5900. Call 931-698-8242.

Your merchandise is as good as gone. Call 242-SALE today.

MP3, heated FWD, 114000mi excellent MPG, \$ 479-9093

VOLKSWAGEN W8 '02, 4dr, aut leather seats, s pwr, new tires, \$5500. Call 615

VOLVO 960 '97, station wagon a/c, heated s more, 140K, \$2 292-3711 or 615-

VOLVO S60 '05, 79K mi, auto, s int & leather, wheels, sunroof, clean, \$6700, 615-

Motorcy

IMPORTANT
Use caution wh to wire money fo in some cases n been transfer no vehicle was i

HARLEY DAVID Ultra Classic, 38K chrome, \$14,000, 4222 or 931-61 Please no sol

SLOAN'S SUPER BUYS USED BIKI Or DOES CONSI Japanese & H Jim 615-714

Place your ad Call 242-57

SALE

**FIND
YOU
W
SELL
YOU
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AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Tennessee Orthopedic Alliance

I, Steve Wade, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Steve Wade
Signature

Executive Director
Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

Carolyn C. Lovelace
NOTARY PUBLIC

My commission expires Sept. 9, 2014.

HF-0043

Revised 7/02





State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

May 1, 2013

John L. Wellborn
Development Support Group
4219 Hillsboro Road, Suite 203
Nashville, TN 37215

RE: Hendersonville Medical Center - Certificate of Need CN1302-002

Construct a new 4th floor of med/surg beds & initiate neonatal intensive care services in new 6-bed Level II-B neonatal nursery on the main campus. The hospital is licensed for 148 general hospital beds (110 at the main campus & 38 at the satellite campus in Portland). Thirteen beds will be relocated from the Portland campus to the Hendersonville campus resulting in 123 beds in Hendersonville and 25 in Portland.

Dear Mr. Wellborn:

This is to notify you that the referenced application is scheduled to be acted upon by the Agency at its next monthly meeting in Nashville on Wednesday, May 22, 2013, beginning at 8:30 A.M. The meeting will be held at the following location:

Legislative Plaza, Room 12
Sixth Avenue North & Union Street
Nashville, TN

Please be present and prepared to make a brief presentation and to respond to any questions regarding the application. Your presentation should address the following:

- Why the project is needed to provide necessary health care in the service area;
- How it can be economically accomplished and maintained; and,
- Its contribution to the orderly development of adequate and effective health care facilities and/or services.

In its review of the project, the Agency will weigh and consider the health care needs of consumers, particularly women, racial and ethnic minorities, TennCare or Medicaid recipients and low income groups. The applicant's current and future commitment to TennCare and any contractual agreements should be disclosed if applicable to the type facility or service sought.

John L. Wellborn
May 1, 2013
Page 2

Should you desire that Agency members receive information that has not been previously submitted, please forward twenty-four (24) copies of the information to this office by noon on **May 8, 2013**.

Meeting procedure information is enclosed for your review. Please call if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Melanie M. Hill", written in a cursive style.

Melanie M. Hill
Executive Director

MMH/as
Enclosure



State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

May 1, 2013

Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, TN 37219

RE: Tennessee Orthopedic Alliance, P.A. - Certificate of Need CN1302-004

Relocation of two (2) MRI units from current location at 301 21st Avenue North to 3000 Charlotte Avenue, Nashville (Davidson county), TN to TOAs proposed future office space.

Dear Mr. Taylor:

This is to notify you that the referenced application is scheduled to be acted upon by the Agency at its next monthly meeting in Nashville on Wednesday, May 22, 2013, beginning at 8:30 A.M. The meeting will be held at the following location:

Legislative Plaza, Room 12
Sixth Avenue North & Union Street
Nashville, TN

Please be present and prepared to make a brief presentation and to respond to any questions regarding the application. Your presentation should address the following:

- Why the project is needed to provide necessary health care in the service area;
- How it can be economically accomplished and maintained; and,
- Its contribution to the orderly development of adequate and effective health care facilities and/or services.

In its review of the project, the Agency will weigh and consider the health care needs of consumers, particularly women, racial and ethnic minorities, TennCare or Medicaid recipients and low income groups. The applicant's current and future commitment to TennCare and any contractual agreements should be disclosed if applicable to the type facility or service sought.

Jerry W. Taylor, Esq.
May 1, 2013
Page 2

Should you desire that Agency members receive information that has not been previously submitted, please forward twenty-four (24) copies of the information to this office by noon on **May 8, 2013**.

Meeting procedure information is enclosed for your review. Please call if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Melanie M. Hill", is written over a light blue horizontal line.

Melanie M. Hill
Executive Director

MMH/as
Enclosure

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

**KARL F. DEAN
MAYOR**



2013 MAR 26 AM 10:22
**OFFICE OF THE MAYOR
METROPOLITAN COURTHOUSE
NASHVILLE, TENNESSEE 37201
PHONE: (615) 862-6000
FAX: (615) 862-6040**

March 11, 2013

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Re: Tennessee Orthopedic Alliance
CON Application CN1302-004

Dear Ms. Hill:

As you know, Tennessee Orthopaedic Alliance (TOA) recently filed the above referenced certificate of need application to relocate two MRI units from its 301 21st Avenue North, Nashville, TN site to the new OneCity development located at 3000 Charlotte Pike. I am writing this letter to express my support for TOA's application.

The OneCity development represents an important step toward the future of Nashville healthcare, technology, and research community. TOA's anchor tenancy will provide a major impetus toward that end. TOA's provision of high quality, comprehensive orthopedic services (including clinical, high tech imaging, and therapy) in the apex of the new 31st-28th Avenue connector will broaden its reach and access to more Nashvillians which is exciting.

I appreciate the important role the THSDA plays in the orderly progression of healthcare services in this community and strongly encourage the CON committee's approval of this application.

Sincerely,

Karl F. Dean
Mayor



State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

Date: May 3, 2013

To: HSDA Members

From: Melanie M. Hill, Executive Director

Re: CONSENT CALENDAR JUSTIFICATION
CN1302-004– Tennessee Orthopedic Alliance

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility and contribution to the orderly development of health care are detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on March 1, 2013, it was not opposed. If the application is opposed prior to it being heard, it will move to the bottom of the regular May agenda and the applicant will make a full presentation.

Summary—

Tennessee Orthopedic Alliance (TOA) is a physician practice that has applied for a certificate of need to relocate two (2) of its three (3) MRI units from its present location in leased space on 21st Avenue in Nashville to Charlotte Avenue where their new office is being constructed, a distance of about one mile. The 3rd MRI will be relocated to their Murfreesboro office but since that site has already been approved for MRI services and the cost of the MRI equipment is below the 2 million dollar major medical equipment threshold, a CON is not required .

cialty Hospital, LLC holds an approved but unimplemented certificate of need for a twenty-four bed long-term care hospital in Memphis, TN. This type hospital is commonly referred to as long-term acute care hospital (LTACH) and is certified by Medicare as a long-term hospital (LTCH).

Executive Director Justification -

Need- The need to relocate the approved but unimplemented CON to the new site is justified based upon the Agency's approval for change of control (change of ownership of the facility). The facility will be located on the campus of The MED and will be operated under the "hospital within a hospital" concept.

Economic Feasibility-The project will be funded through the cash reserves of The MED. The total project cost for the CON reflects the fair market value of the land, building, and equipment and not the actual cost to implement the project. The proposed facility will be able to contract or purchase ancillary services from the host hospital (The MED) which will decrease operational costs.

Contribution to the Orderly Development of Health Care- The project does contribute to the orderly development of health care since the HSDA previously determined it was needed in Shelby County, first in 2006 and then again in 2009. Long-term acutely ill patients can be relocated from an acute care bed to a more appropriate level of care that will be reimbursed accordingly. The applicant will participate in the same TennCare MCOs as the MED and will assist The MED in meeting its commitment to the underserved population in Shelby County.

Based on these reasons, I recommend that the Agency approve certificate of need application CN1210-052.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR

(1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.